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NATIONAL ECONOMIC POLICY

COMPREHENSIVENESS, COMPARISON, COUNTERCHECKS NECESSARY IN STUDYING ECONOMIC SITUATIONS

Beijing CAIWU YU KUALI [FINANCE AND ACCOUNTING] in Chinese No 4, 20 Apr 79
pp 1-5

[Article by Cai Bianwen [5591 6708 2429]]

[Text] At present the focal point in the work of the whole party and the entire nation is in the process of being shifted to the construction of socialist modernization. The realization of the four modernizations is a great advance, unique and unprecedented in history. To adapt to this turn in history, financial work too is faced with grave and important tasks, namely to transform ideology and work style, to adjust proportions, to overhaul the financial administration, to reform the organizational system, to strengthen the overall balance and to advance toward higher levels of management. This great advance requires vigorous action as well as safe and reliable measures, progressive action as well as adjustments, emancipation of thought as well as original ideas, and it also requires everyone to start out from the actual conditions and to uphold the principle of seeking truth on the basis of objective facts. The communique of the third plenum of the 11th CCP Central Committee pointed out: "Only if all comrades of the party and the entire nation will free themselves of old ideas, intensively study the new situation and the new problems, uphold the principle of seeking the truth on the basis of objective facts, proceed in everything from the actual conditions and follow the principle of integrating theory with practice, only then will our party be able to realize the successful shift in the focal point of our work, be able to correctly solve the problem of finding the specific road, policy and method for the realization of the four modernizations and to reform and correct the relations of production and the superstructure where they are inappropriate for a speedy development of the productive forces."

To seek truth on the basis of objective facts is the starting point, the foundation and the essence of Mao Zedong Thought. Chairman Mao says: "Facts are all things that exist objectively. The truth is the inherent relationship among objective things, that is, their conformance to laws. Seeking refers to our efforts to study. We must start out from the actual

conditions as we find them within and outside of our country, our province, our county and our district and from these observations evolve the laws that are inherent and not concoct anything by conjecture, which means, to point out the internal links in the relations of events occurring around us to serve as guides for our actions."

In upholding the principle of seeking truth on the basis of objective facts the key is to first of all set the facts straight, just as in clarifying the state of things, strengthening determination and correcting our policies, the key is to gain a clear understanding of the situation. To set the facts straight and to gain a clear understanding of the situation are things not easily achieved; they require strengthening investigation and study and furthermore giving attention to one question of the utmost importance, namely to comprehensiveness, comparison and counterchecks.

Comprehensiveness

Comprehensiveness means to look at the front as well as at the back, at advantages as well as at disadvantages (as the common saying has it, where there are advantages there are also disadvantages); it means we must listen to affirmative opinions as well as to opposing viewpoints. In brief, we must listen to praise as well as condemnation. We must weigh both sides, the pros and the cons, merits and demerits and strive to gain a very comprehensive understanding. Wei Zheng of the Tang dynasty said, "Listen to both sides and be enlightened, heed only one side and you will be benighted," which expresses this very idea.

Chairman Mao has always taught us that we must shun subjectivity, one-sidedness and superficiality in studying a problem or dealing with a problem. The subjectivity he referred to is the inability to look at a problem objectively. The one-sidedness that he referred to is the inability to view a problem comprehensively. The superficiality he referred to is the inability to view a problem in the special features of its overall contradiction and in the various detail aspects of its contradiction, seeing through the outer appearance and penetrating to the inherent essence of things. In one word, it is the inability to apply the materialist and dialectic viewpoint in examining a problem but rather using a subjective and metaphysical viewpoint. For instance, speaking of financial and economic work, to comprehend only what is needed and not what is possible, to comprehend only accumulation and not consumption, to comprehend only high speed but not proportionate development, to comprehend only management by levels and numbers of people and not to comprehend the strengthening of the integral equilibrium, to comprehend only a local sector and not comprehend the whole entirety, to comprehend only decentralized authority and not centralized authority, to comprehend only the service aspect and not the supervisory aspects, and so on. In summary, it means not to comprehend the various special aspects and features of the contradiction. Speaking of the service aspect and the supervisory aspect commonly met with in financial management and financial affairs, these are basically two aspects of one and the same

thing, they are the unity of a contradiction. Any fund allocations, whether they are funds to support agriculture, funds for renewals and reconstruction, investments for capital constructions that are allocated according to needs, constitute service. At the same time it must be examined whether the allocation agrees with the state plan, whether it was secure as far as needed supplies and materials were concerned, whether it would produce the best economic results; all this is the supervisory aspect and supervision aims at improving service. Is it possible to have only service without supervision, or only supervision without service? This is practically impossible. The reason why service and supervision should not be placed in an opposite position is that it would not accord with reality. It is of course not an easy matter to correctly integrate service with supervision, to guarantee in a planned way everyone's reasonable needs of capital funds and thus serve the speedy development of productive construction and also to exercise economy, produce more with less expenditure, to strengthen supervision and conduct affairs according to the state plan and state regulations and at the same time adhere to the principle of seeking truth on the basis of objective facts and to fully convince the units that are in need of the funds and make them feel that it is an assistance and not a hindrance. It is even less possible to achieve by a merely cursory inspection a genuine integration of needs and possibilities, of centralization and decentralization of authority, of accumulation and consumption, of speed and proportionate development, etc., and thus to strengthen the integral balance. In this respect the key to a correct solution of the problem is to go deep into the realities of life, investigate the realities, inquire from the masses, see more (investigate the various aspects of a problem), listen more (solicit opinions from various quarters), think more (relate all conditions that your investigations have shown and all opinions and give them careful consideration). Can we find any "miraculous method"? Can we take a "short cut"? Is there any effortless way? Chairman Mao said: "The most effortless way in the world is the way of subjectivism and metaphysics because there people can let loose irresponsible talk without basis in the objective realities and without any test by objective reality. With materialism and dialectics, an effort is required; they require to be based on and tested by objective reality. If the effort is not made one will lapse into the quagmire of idealism and metaphysics."

In order to set the facts straight it is therefore necessary to engage in a large amount of investigation and study, collect all the available material, and furthermore examine and consider all the various aspects of things and all their various relationships. Without any investigation, it will certainly be like "a blind man riding a blind horse and approaching a deep lake in the middle of the night." Even by getting together just a few bits and fragments and using these few data to arrive at a conclusion will often show that a slight omission will lead to big errors. The reason why our investigation must be comprehensive and penetrating, systematic and thorough, why it must extend from this exemplary case to that, is exactly because we must gain a comprehensive understanding of the facts as they exist objectively, collect all available data and arrive at correct conclusions, guided

by the principles of Marxism-Leninism. To achieve this we cannot rely on subjective imagination, on a moment's enthusiasm, or on mechanical bookish learning. Nor can we just seize on one aspect and ignore all others, "cite one thing and leave out ten thousand others," "attend to one thing and lose sight of another," and we should even less "turn things upside down" and "put the trivial above the important." Of course, comprehensiveness does not mean to include every kind and all things from A to Z, but rather should seize on that portion of data that can manifest the special features and characteristics of things.

To set things straight we must solicit opinions from many quarters and give particular attention to obtaining the opinions of those comrades who have practical experience. In the "Autumn and Spring Annals" of Lu Buwei it says: "Doubtful evidence must be investigated; the investigation must be done by qualified men," and "when about to enter a marsh, enquire from a shepherd boy; when about to embark on water, enquire from a fisherman," which expresses this idea. Why is it that twins, who are difficult to distinguish, will never be mistaken for each other by their mother? It is because "the knowledgeable are able to judge." We are therefore to solicit opinions from those comrades who are "knowledgeable to judge," and shall not merely drift about on the surface, "sit high and discourse upon the Doctrine." If at times a great discussion ensues with lengthy debates, this is not a bad phenomenon. On the contrary, when even "crows and sparrows fall silent" that is a sad state of affairs indeed. Emperor Tai-zong of the Tang dynasty praised Wei Zheng for his criticism and suggestions, "when he took his place at the table, he was like the "xian" and "wei" belt ornaments," used as objects pointing to something opposite as an admonition and warning. The "xian" refers to the tension of a bowstring and the "wei" to the softness of soft leather. The ancients said: "Ximen Bao was an impetuous man; he wore a piece of soft leather on his belt to remind him to soften his attitude. Dong Anyu was easy going; he wore a bowstring on his belt to urge him to faster action. The belt pendants were speechless objects and yet the ancients used them to remind them to remedy their faults. We have the excellent tradition of the mass line; why not go into the masses to supplement one's own deficiencies? To make arbitrary decisions and take autocratic action, to run a "one-voice meeting hall" and issue foolish orders, all such acts are intolerable and must be corrected because they are subjectivist methods which are contrary to science and anti-Marxist. They are "the great enemies of the communist party, of the working class and of the people and a manifestation of impurity in party spirit." If we proceed according to these principles, it will spoil everything and ruin party and country.

Comparison

Comparison is to subject to analytical comparison all the various conditions and opinions that have been ascertained in order to arrive at a correct conclusion. There is a common saying: Don't worry about now knowing much about the goods, just compare and you will see which is better. There

is also a saying: When weighing two evils, choose the lighter; when weighing two advantages, choose the weightier. That is what comparison is.

All things are interrelated. To gain an understanding of things, it is necessary to comprehend them from their relationships and analyze them by comparisons. Truth and falsehood, fragrant flowers and poisonous weeds, the truly good and beautiful and the spurious evil and ugly, are all extant and present as opposites. Only by comparing can one distinguish; only by distinguishing and by struggle can there be development.

How is comparison to be carried out? There is no other way than the "left-right, front-reverse method" and the "ancient-modern, Chinese-foreign method." In this respect, Chairman Mao in his studies of problems has set some very good examples for us. For example:

The left-right comparison: speaking of protracted warfare and comparing China and Japan of those days: Japan was small but strong, but in retreat it would find little to support it; China was large but weak, but in an advance it would find much that would support it. This comparison proves that both the theory that China would perish and the theory of a war of quick decision, were wrong, and that the correct conclusion was to persist in a protracted war which would bring victory for China and defeat for Japan. A kind of left-right comparison is also to be found in the comparison of the model villages of Chang-qu and Cai-xi with the bureaucratic municipality of Ding-zhou mentioned in the article "Show solicitude for the livelihood of the masses, pay attention to work methods," when speaking of the expansion of the Red Army and the collection of land tax and sale of government bonds.

The front-reverse comparison: for instance in the case of the united front policy, comparing Chen Duxiu and Wang Ming, one being a right opportunist who only stressed uniting without paying attention to struggle and the other being a left opportunist who only stressed struggle and paid no attention to uniting. Here the correct conclusion was to unite as well as to struggle; if unity were arrived at through struggle it would persist, but if it were arrived at by yielding it would perish. Another similar kind of comparison is contained in the article "Problems of Economy and Finance During the War of Resistance Against Japan" with regard to financial policy. On the one hand opposition was voiced against the one-sided erroneous viewpoint that the government should implement "benevolent government" while disregarding the needs of the war of resistance. On the other hand opposition was voiced against the Guomindang ideology of "draining the pond to get all the fish," which merely paid attention to the needs of the war of resistance and disregarded the hardships of the people. The correct slogans put forth by the party were: "Develop the economy and guarantee supplies," "Pay attention to both private as well as public interests," and "Pay attention to both the interests of the army and the interests of the people."

The "ancient-modern, Chinese-foreign method" is very similar to the "left-right, front-reverse method" in that it consists of nothing else but horizontal and vertical comparisons. These comparisons can be viewed against an ancient or modern background, or against a Chinese or foreign background. For instance, in his discussion of democratic centralism, Chairman Mao uses the struggle between the State of Chu and the State of Han, in which Liu Bang won and Xiang Yu was defeated, to illustrate the importance of promoting democracy. He explains that if one man's word is all that counts, that man will seek to become a hegemon and will be called a despot. If he does not mend his ways he will not escape the fate of having to "take leave of his favorite" [title of a popular stageplay]. This is an "ancient-modern" comparison. In his article "On the Ten Major Relationships," which deals with methods of management in enterprises, the high efficiency, small number of workers, expertise in business to be found in the enterprises of industrially advanced countries, it is suggested that all this must be systematically studied and utilized to improve our own industry. This is a Chinese-foreign comparison. Of course, a comparison with something "ancient" need not go back thousands or hundreds of years, a comparison with last year or the best or the worst periods in history may also constitute a comparison with "olden times." A comparison with "foreign" conditions need not only be a comparison with conditions in foreign countries but may comprise comparisons between different departments, different provinces and between different factories.

To carry out comparisons of this nature means to analyze and synthesize on the basis of investigations.

We often use the comparison of new and old in carrying out class education; in the editorial comment on "The High Tide of Socialism in Chinese Agriculture" Chairman Mao praised the "four comparisons and five ways of accounting;" in our work concerning commodity prices we establish price parities between industrial and agricultural products and between grain and cotton; in our financial statistical report forms we list not only absolute figures but also relative figures (percentages), not only figures achieved in the current period but also comparisons with the corresponding periods of the preceding year and sometimes additionally comparisons with record levels achieved in the past and with record levels achieved in that particular branch of industry, etc.; all this is being done in order to arrive at a good comprehensive understanding of facts through analysis, comparison and synthesis.

For the same reason we often put forward several different plans to select from, whenever we build a railway, a factory, open a new mine or propose improvements in certain items of work. People often cite Zhu Geliang as the symbol of a clever and wise man, but what is the basic meaning of the word "cong ming" [clever]? "Cong" denotes a sensitive ear and "ming" denotes a sharp eye. If a man has a sensitive ear and a sharp eye he is well equipped to observe every kind of thing and to listen to every kind of opinion and will also be able to apply scientific analysis, comparison and comprehensive study. In a word, he will be capable of drawing on collective

wisdom and of absorbing all useful ideas. In fact the phrase "to draw on collective wisdom and absorb all useful ideas" is from Zhu Gelang's chapter "Learn with the Masses." It is therefore a very appropriate expression if people talk of having a "Zhu Gelang meeting" whenever they want to stimulate everybody to contribute opinions at a time when certain difficult problems are being faced.

To make comparisons is a fundamental method for man to acquire knowledge of things. Chairman Mao therefore once said: "to learn and adopt the good experiences and the good work style of other departments, other provinces, other municipalities, other districts and other units, this kind of procedure should be made one of our fixed institutions."

Countercheck

In a countercheck a certain matter, after its preliminary determination following investigation and comparisons, is given another cool-headed re-appraisal, is spread out again and thought over, and even though it may have had unanimous approval, several possible opposing viewpoints are taken into consideration, it is given another thorough scrutiny. The purpose of countercheck is to clarify one step further all the facts of the case.

We have often experienced that the CCP Central Committee has made a decision in a certain matter but frequently first given it out in the form of a draft or draft for trial implementation, on the one hand soliciting opinions and on the other hand having the decision implemented on a trial basis, and only later, on the basis of results shown in the trial implementation, the decision was amended and again issued in official form. This is also an instance of countercheck in order to further clarify all the facts of a case.

The reason why we want to have this kind of countercheck after a matter has been preliminarily determined, following its comprehensive investigation and analytical comparison, is because it is so difficult, something that cannot be accomplished in one move, to reflect comprehensively all the facts of a case. First of all, things are all interrelated and continuously changing. They also generally show an outer appearance and hide their essential content; they show one aspect and keep other aspects out of sight. Hearsay and gossip, baseless rumors, if repeated over and over, are frequently firmly believed. Often for the same reasons it is said that "three persons can start wild stories," and that "for every event there is a good reason but investigation reveals no evidence." Secondly, since truth that has passed the test of practice is absolute as well as relative, changing conditions require that it undergo renewed practical experiences to gain additional understanding and to be continuously deepened and continuously perfected. Let us take a saltworks as an example. It conducted three tests and came to three determinations as to the relationship between the depth of the brine and the yield of salt. In the first test, conducted at the peak of the brine evaporating season in clear and bright weather, the brine was evaporating fast. With the brine at depths from 2 to 6 cm,

the deep brine showed an increase in yield of 14.5 percent, so that they determined as a rule, "crystallization occurs best in deep brine." In the second test, conducted in the off season for brine evaporation with long spells of spring rain and cloudy and rainy weather, the results of the test showed that shallow brine yielded 25 percent more salt than deep brine. As a consequence it was concluded: "In peak season crystallization was best in deep brine, in the off season the depth of the brine must be appropriately reduced." The third test was again conducted in the peak season but due to abnormal, partly cloudy, partly rainy weather, the results showed that in deep brine the yield was down but in some cases of shallow brine, in contrast, the yield had increased. Asking an old worker for the reason, he replied: "It depends on the weather how the job is to be done! In this kind of partly cloudy and overcast weather, deep brine is disadvantageous, in shallow brine crystallization will be faster." As a consequence they determined now one step further as their rule: "Deep brine should be the dominant method; methods of deep and shallow brine should be combined and adjusted according to the weather." As for financial work, in the question whether surplus cash from the preceding year may be drawn on, experience provides the following changeable stages: all such funds can be used, no part of such funds must be used, and finally, in general it is inadvisable to draw on such funds but partial use may be permitted according to circumstances. These examples show clearly that even that truth which has been tested in practice has its limitations and must be integrated with the actual conditions of the locality and must be established on the basis of place and time. Thirdly, "even the wise are not free from error." Whenever contemplating various alternatives, taking into account all aspects, good and bad, favorable and troublesome, the possible and the impossible, and the way this step will dovetail with the next, etc., be as circumspect as possible and as cautious as possible.

We must therefore not regard as completely safe an opinion that is supported by the majority. We must review it cool-headedly, check whether it may still contain any errors, whether it has any flaws, any insufficiencies or aspects that may lead to misunderstanding. We must even go so far as to consider various opposing viewpoints (which may possibly come from other departments and other areas that have some connection with the matter under consideration.) check whether they are reasonable and convincing. For instance, in the present discussion of using economic methods in business administration, it is proposed to change the method by which capital is held in enterprises from free-of-charge use to remunerated use (charging interests) and to change the free-of-charge allotment of funds for basic constructions to a system of loans with interest charges. There are experiences in foreign countries that could serve as reference, possibly these are good ideas, but we also have to consider: did we not follow a system of "all funds are credit" at the time of the great leap forward, that is, own funds and borrowed funds are all bank loans on which interest was charged? What was the effect? Did we not grant short-term and long-term loans in support of agriculture, loans which could not be recovered in the end when millions and millions of yuan had to be written off? Then others, for instance, suggested that

tax revenue should be increased, cutting down profits of enterprises and thereby forcing them to stricter economic accounting. This may perhaps also be a good idea, but we also have to consider, in general, profits are low in our commercial and industrial enterprises, however profits are fairly high in the Daqing oil field, but it does not follow that business administration is better in the low-profit commercial and industrial enterprises compared with the high-profit Daqing oil field. Why is this so? When we have a problem to ponder and are able to weigh the possible advantages of several opposing viewpoints and, testing them, are able to obtain satisfactory answers, we will then be able to think the matter through more thoroughly and more penetratingly, we will then be able to link up in our considerations this measure and various other measures and will avoid wishful thinking and looking at problems in isolation or thinking in absolutes.

We must therefore also not consider a matter as having nothing in its favor only because a majority opposed it; at times the truth is not necessarily in the hands of the majority. The way the Brest-Litovsk Peace Treaty was handled by the Soviet Bolsheviks and the way our party handled the Xi'an Incident are clear examples. Even in erroneous ideas there may be some correct elements. We must therefore give even more attention to the opinions of minorities and study them carefully. If the opinion of the minority is correct, we must persuade the majority, and if it is temporarily not possible to come to an understanding, we shall have to wait. However, communists must always firmly uphold the truth and correct their mistakes, and never do anything to the contrary.

In observing comprehensiveness, comparisons and counterchecks, will we not be hesitating too long about next moves to make or be unduly dilatory in our actions? This is not likely. Firstly, we are dealing here with important matters that are awaiting decisions or revisions, not the day-to-day work on which decisions have already been made. Only important matters must be dealt with the way we described. Secondly, this is exactly the "thinking it over seven times before cutting the cloth" that Lenin talks about. After the decision has been made, go to it energetically and make a good job of it. This attitude has nothing at all in common with hesitant and dilatory work styles. On the contrary, when these principles have been violated during capital construction work, we have surveying, designing and constructing becoming building, transforming and moving, all going on at the same time, with the results coming out contrary to one's wishes, and haste making waste, which is the best elucidation of these principles.

Dialectical materialism is the world view of Marxism, as it is also its methodology. Employing this world view to understand the world, to guide the revolution, to engage in production, guide practice, that is methodology, which cannot be separated from world view. Therefore, investigation and study in depth, comprehensiveness, comparisons and counterchecks, all require us to uphold the Marxist stand, viewpoint and method in our efforts to transform the objective world and the subjective world. Otherwise, even getting down to the job and investigating will not get the desired results because of an incorrect stand, viewpoint and methodology.

In the last few years, during the time that the idealism of Lin Biao and the "gang of four" were on the rampage and their metaphysics ran wild, we suffered more than enough from idealism, metaphysics and one-sidedness. In our advance toward the four modernizations we must use Mao Zedong Thought as our spiritual weapon and allow materialism and dialectics to guide our work. We must always proceed from the actual realities, accepting practice as our criterion for testing and opposing every kind of formal idealism and metaphysics. This is the key to accomplishing the shift in the focal point of our work.

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NATIONAL ECONOMIC POLICY

COMPREHENSIVE BALANCE OF NATIONAL BUDGET URGED

Beijing CAIWU YU KUALI [FINANCE AND ACCOUNTING] in Chinese No 5, 20 May 79
pp 1-5

[Article by Tian Yinong [3944 0001 6593]]

[Text] The Third Plenary Session of the 11th CCP Central Committee decided to shift the focus of work for the whole party as from 1979 to the construction of socialist modernization. This great historical turn poses new and even higher demands on every item of our work. How can our work of financial budgeting be adapted to the new situation, how can it be smoothly shifted, how can it start out right, to make new contributions to an adjustment of the national economy and to speeding up the four modernizations? Judging from past historical experiences and the present actual conditions, the most pressing problem is the need to strengthen the work toward achieving a comprehensive balance of the national budget.

1. The national budget is the basic financial plan of our country. It is the important tool for the planned concentration of funds and rational distribution of funds. On the one hand it concentrates in a planned way the larger part of the national income created by the various economic departments, and on the other hand it again effects a planned redistribution of this income, thereby guaranteeing a further development of the national economy, a gradual improvement in the material and cultural livelihood of the people, as well as the financial requirements for a consolidation of the dictatorship of the proletariat. The national budget therefore fulfills an important function in the political and economic life of our country. Comrade Mao Zedong once clearly pointed out: "The national budget is an important question. It reflects the entire national policy because it determines the scope and direction of all government activity." The Constitution of our country stipulates that the national budget and final accounts as well as the local budgets and final accounts must be examined and approved by the people's congresses at different levels. The budget expresses the power of the people as masters and makes clear the important position the national budget occupies in the political and economic life of our country.

In the process of actually compiling and implementing our country's budget we must engage in a large amount of penetrating and painstaking work in order to guarantee a comprehensive balance in all its aspects. What then is the most important content and significance of achieving a comprehensive, balanced national budget?

Firstly, through a comprehensive balance the national budget will correctly implement the party's line, direction and policy.

The national budget reflects the country's main financial resources and their activities; it is one of the key elements in the three great balances, namely of manpower, material strength and financial strength, within the comprehensive balance of the national economy. The questions arising during the compilation of the national budget, such as from where and to what extent to collect funds, where to employ them, to what extent to arrange various undertakings, all these questions concern the scope and direction of our country's economic activities. In our work of comprehensively balancing the budget we must therefore first of all study and consider again and again whether the various items of capital collection and distribution implement the party's line, direction and policy.

The party's 11th National Congress and the Fifth People's Congress determined the main task of our country's socialist revolution and socialist construction in the new era and clearly pointed out to us the direction of our great new long march. Our national budget must carry out consistently and thoroughly the line of the 11th Party Congress and struggle for the realization of the main task in the new era. At the same time it must implement the policy of "agriculture to be the foundation and industry the dominant factor" to develop our country's national economy and implement the policy of "develop the economy and ensure supplies" and various other related policies, so that the budget will provide the foundation for further economic advances and on this basis raise more funds, guarantee the most rational and most effective use of the funds for the various constructive undertakings and guarantee the planned, well-proportioned and rapid development of our national economy.

Arduous struggling to build up the country through thrift and hard work and practicing strict economy must be the principles to be firmly upheld for a long time during our country's socialist construction. As early as at the time of the war of resistance against Japan, Chairman Mao pointed out: "Practicing thrift is something that must have the attention of every organ, but must have the special attention of the organs concerned with economic and financial work." For that great objective of ours, the realization of the four modernizations, a huge amount of capital funds will be required, however our country is still an economically backward country and construction funds will mainly depend on our domestic accumulations, which means we must practice all-round economy for a protracted period. The work of comprehensively balancing the national budget must in all undertakings carry out a system of strict economies, eliminate all unnecessary

expenses, energetically reduce all nonproductive expenses, put an end to all waste and strive to accomplish much with little expenditure.

Our party's line, direction and policy express the basic interest and aspirations of our people and also correctly integrate the people's long-term and their current interests; they deserve foremost consideration in the work of compiling and comprehensively balancing the national budget.

Secondly, through comprehensive balancing, correctly reflect and deal with the various proportionate ratios between revenue and expenditure in the national budget.

The problem usually met with when compiling the budget is the contradiction between need and availability of funds, especially at the present juncture when all our various fronts intend to speed up the pace of the four modernizations but when we are faced with the task of reversing the current of events and instituting full-scale reconstruction in the wake of the long-term sabotage of Lin Biao and the "gang of four." At this time the contradiction of need and availability of funds is particularly conspicuous. Under these conditions there are two ways of organizing the balancing of the budget. One way is a passive one, namely not to actively open up new financial sources but to plan by reducing expenditure that has already reached its absolutely necessary minimum and thus try to obtain a balance of revenue and expenditure. Throughout history we have never used and always opposed this passive method of balancing. Another way is the positive method, namely first of all to focus attention on developing the economy, opening new sources of finance, tapping to the fullest all potential for an increase in production and an increase in revenue and make every effort to increase income, increase expenditure, increase construction, based on the objective possibilities and the state policies and laws, promote speedy development of the national economy but also uphold the principle of balancing income and expenditure, if possible with some surplus. Throughout history we have always proposed and carried out this kind of positive method of balancing. Of course, the positive method of balancing cannot satisfy every need. Apart from the contradiction between need and capability, we must here also deal correctly with the relationships between the whole body and local sections and between points of high importance and general needs. The work of comprehensively balancing the national budget must therefore proceed on the principle of unified planning with due consideration to general needs, thus establishing a reasonably proportionate relationship between the various items of expenditure, for instance, what proportion to spend on economic construction, on social, cultural, educational and health service items, and what portion to spend on national defense and government administration. For another instance, how much of the funds are to be taken up by accumulations, by consumption, by agriculture, light and heavy industry, etc. We must observe the direction and policy of the party, consider the needs and capabilities, arrive at a reasonable arrangement and thereby promote a planned, well-proportioned and speedy development of the national economy.

Thirdly, through comprehensive balancing, the relationship of fiscal funds and credit funds as well as the relationship between fiscal funds and commodity equilibrium is to be correctly handled.

The economy determines financial dispositions, and financial dispositions in turn influence the economy. The comprehensive balancing of the financial budget must most certainly not be limited to merely considering a balancing of revenue and expenditure. Even more importantly it is to coordinate the study of the comprehensive situation with a consideration of the development of the entire national economy. There cannot be the slightest doubt that the state budget must take the national economic plan as its basis, while the distribution and application of funds from the national budget in turn directly affect the realization of the national economic plan. Comrade Hua Guofeng pointed out: "The financial and banking work, which is the most important tool for the distribution of funds, must certainly take economic work as its basis. The question whether the economic developments achieve greater, faster, better and more economical results is also to a very large extent determined by whether accumulations are ample, whether distribution and credit is reasonable, whether turnover is speedy and whether the application of the funds is correctly administered and supervised." This requires that in conducting the work of comprehensively balancing the state budget and basing this work on a balance of the fiscal funds themselves, we must pay attention to firmly upholding a balance between fiscal funds and credit funds and an equilibrium between financial credits and commodities. Beyond that we must carefully study how to introduce new technologies from foreign countries, utilizing the balanced relationship of foreign funds and foreign exchange earnings, etc. In summary, through the work of comprehensively balancing the financial budget, we can, and furthermore must, detect certain unbalanced and weak sections in the national economic draft plan, propose necessary suggestions and measures and promote the effective comprehensive balancing of the national economy.

Fourthly, through comprehensive balancing achieve a good distribution of the funds for use so that limited funds will bring about even greater economic results.

To solve the problem of providing the large amount of funds required for the four modernizations is an arduous task. Accumulation of funds relies on the one hand on enterprises tapping potential, increasing production, increasing income, and on the other hand it also relies on effecting economies and through these economies arriving at increased production and greater speed. However, at present there are some departments and units where serious conditions of extravagance and waste exist, squandering the assets of the state. This problem must be solved through increased ideological education, stricter financial discipline and improved financial management. At the same time, much of the loss and waste has been caused by the lack of comprehensive budgeting by thoughtless planning and inappropriate dispositions of the past. Economies brought about by planning are the largest kind of economies. Waste brought about by planning is the greatest kind

of waste. An estimate of the amounts involved would be alarming. For instance, factories built up with a large expenditure of funds could not start operations because of insufficient electric power. Coal that was mined in arduous labor by broad masses of workers was stocked up over long periods of time because of insufficient transport facilities, and finally burned up due to spontaneous combustion. Some factories with a large production capacity operate on a stop-and-go basis because of the shortage of certain raw materials. Some basic construction projects were left half finished due to insufficient material and funds; they are still awaiting material, etc. Although the reasons for these problems are varied, the one most important reason is that there had been no comprehensive balancing in the economic planning work. Of course, these questions must first of all be solved through a good comprehensive balancing of the national economy. At the same time the disposition of financial funds must also pay attention to a solution of these problems. We must therefore strengthen the work of comprehensively balancing the financial budget, distribute the limited funds to departments and units that are most important for the development of the national economy and make efforts to eliminate the weak sectors in the national economy in order to achieve the best possible economic results.

2. The Third Plenary Session of the 11th CCP Central Committee pointed out: "The basic policies contained in the 'Ten Major Relationships,' Chairman Mao's 1956 summary report on our experiences in national economic construction, which were objective reflections of the economic laws as well as important guarantees for political stability, are still retaining important significance as guiding principles." In order to do a good job in our work of comprehensively balancing the state budget, we must conscientiously study this magnificent work, conscientiously study the statements of the party central committee headed by Comrade Hua Guofeng concerning the main task of the new era and the series of important directives and policies to raise our ideological knowledge and clarify the direction of our work. In our concrete work of compiling and implementing the state budget, how are we then to achieve effectively a comprehensive equilibrium and to the solution of what problems must we give our present attention?

Firstly, we must dare to reveal the contradictions in finance and economy and firmly uphold the principle of conducting affairs according to the objective laws of economics.

What are the criteria for our work of comprehensively balancing the state budget? We believe there is only one criterion and that is that the disposition of the budget income and expenditure and the major proportionate relationships which the budget reflects, must well accord with the demands of the objective economic laws of socialism and must furthermore, in the implementation of the budget and passing through the test of practice, be truly effective in promoting the planned, well-proportioned and speedy development of the national economy.

Ours is a socialist economy and must therefore observe the basic economic laws of the socialist economy, the law of proceeding in a planned and well-proportioned way, the law of value, etc. We must study these laws, get to know them and utilize them. Otherwise, if we violate the objective laws, we are bound to suffer their penalties. Due to the interferences and sabotage of Lin Biao and the "gang of four," combined with the shortcomings that were inherent in our economic work, many things are inconsistent with the demands of the objective economic laws. We are determined to emancipate our thinking, we must dare to face the realities, to expose contradictions and to promote a transformation. At present the most conspicuous problem in our economic life is the lack of coordination in the proportionate relationships among agriculture, light and heavy industry. Agriculture, the foundation of our national economy, is very weak. If we do not find a solution for the problems of our 800 million peasants, it will be impossible to realize the four modernizations. The development of light industry has not yet truly occupied its required place; its development is slow, designs and variety are limited and cannot by far satisfy the demands of the market and the needs to improve the livelihood of the people. Since agriculture and light industry progress slowly, there cannot be a more rapid advance in heavy industry. Within industry itself there is lack of coordination in the fields of fuel supply, transport facilities, raw material industries and processing industries. Next, there is lack of coordination between accumulation and consumption, in the main the capital construction front is too extended and furthermore the larger part of capital funds is being invested in heavy industry. All department and local districts have engaged in extraneous capital construction projects, acting blindly, so that the scale of capital construction exceeded the available manpower, financial and material capability of the state, with everyone jostling one another and nobody getting ahead. The expended sums amount to a considerable figure but the investment results are very poor, resulting in many half-finished projects, unable to be comprehensively productive for a long time and large amounts of funds and material being laid up idle or lost. Due to the fact that the capital construction front was overextended, there was pressure on agriculture and pressure on the light industry market, it also affected to a certain extent efforts to gradually raise the level of the people's livelihood. Furthermore, our country is very backward in science and technology and far from the frontline position in science and technology demanded by the four modernizations. In our future comprehensive balancing of financial funds we must therefore exert great efforts to support agriculture, with such efforts being based on a conscientious implementation of the party policy and the zeal that shall be aroused in the broad masses of peasants. We must gradually raise the proportion of funds allocated in support of agriculture within the total financial expenditure, promote agricultural production to greatest development and thus provide a solid foundation for the national economy. We shall make great efforts to shorten the battlefield of capital construction, concentrating our strength for a decisive battle and whenever we start a project we shall bring it to completion to achieve the most effective economic results from the use of the funds that are available. We want to make serious efforts to strengthen the

weak sectors in such industries as the coal, electric power, transportation and raw material industries, and must appropriately strengthen the proportion of investments in light industry. At the same time we must correspondingly increase expenditures for science, culture, education, etc., so as to promote the development of science, education and health undertakings. On the basis of production development, we want to gradually improve the livelihood of the people and raise the level of consumption. There are of course many problems due to the reduced accumulation which must be blamed on the protracted sabotage by Lin Biao and the "gang of four," problems for which a solution can come only gradually in the wake of further development of production and for which solutions must not be demanded with undue impatience. Without further development of production there can be no talk of improving the livelihood of the people; without the state and the collective process there can be no benefit for the individual. Moreover, the introduction of new technologies and new equipment from foreign countries for constructive projects must undergo careful consideration and careful selection. We must try hard to employ as little foreign exchange as possible to bring in key equipment and new technologies that are of greatest significance for the realization of our country's four modernizations. We must not only watch the balance of foreign exchange income and expenditure but must in addition dispose in such a way that a comprehensive balance is achieved with whole plant installations within the country so that imported items can be immediately put into operation after erection and immediately show economic results. To sum up, through a thorough and effective comprehensive balancing we shall promote a gradual readjustment of the important proportionate relationships in the national economy which have been out of tune in the past. Without a comprehensive balance there will be no proper proportions, and consequently also no high speed developments. That has been proven by past practical experiences.

In this connection one more question must be brought up, namely the mistaken trend of leaving some sort of gaps in our economic planning and financial budgeting. As such plans were arranged they looked balanced on the surface, but in actual fact certain problems that awaited solution had been taken out of the plan and were frequently omitted. This method conceals contradictions and is even less conducive to solving these contradictions. Some comrades, however, gave this method of leaving gaps in the plan the fine-sounding name of "active balancing." This is indeed a misinterpretation of active balancing. Plans in which fund items have been left as gaps are plans that give no financial or material assurances, such plans are unreliable; they are intended to bring quick results but instead slow things down and get nowhere, although speed was intended. This method violates objective economic laws and sabotages comprehensive balancing. The danger that this method entails for our cause of socialist construction is very great. In this respect we have had to suffer enough already. If we do not now eradicate this mistaken method, comprehensive balancing will only be an empty word. The practice of our country's socialist construction confirms that financial budgeting does not allow for gaps, but must rather allow a certain leeway to provide for exigencies not provided for in the plan and thus safeguard the smooth execution of socialist construction.

Secondly, devote some time and energy to an analysis and study of the history of present conditions and developmental trends in all important proportionate relationships in the financial income and expenditure and in the national economy.

If we want to do a good job of comprehensively balancing the financial budget, we must devote time and energy to investigation and study and must conscientiously review and summarize the experiences and lessons, positive as well as negative, gained in financial and economic work over the 30 years since the establishment of our government. We must collect statistical data and make the necessary examination of model cases. We must select experiences gained at key points and integrate in our analysis and study all the important financial and economic proportionate relationships created in the various periods of our country's socialist construction. We must again and again analyze and compare, analysing not only the historical conditions but even more the present conditions. We must study the new conditions and new problems, and in this study develop anything that has the character of a law, so as to forecast the future developmental trends which may then serve as a guide for our future work. This is a highly important method of effective comprehensive balancing. For instance, in the period of the First Five Year Plan the proportionate relations of agriculture, light and heavy industry and of accumulation to consumption in our national economy were fairly well coordinated, the concentration of our strength on capital construction ensured that 156 important constructions were completed and that the war of annihilation was well fought. During that period economic development proceeded in a well-proportioned way and at high speed. The total value of agricultural production increased an average of 4.5 percent annually, and industrial production 18 percent. The national income increased an average of 8.9 percent annually, and fiscal income averaged 12.3 percent. On the basis of a developing production, the people's livelihood during that period gradually improved. Looking back now it appears that the work of planning the national economy and of comprehensively balancing the state budget was done well at that time. The important experiences in arranging the financial budget were the firm insistence that income must show accumulation and must also be reliable and that through energetic efforts tasks would be overfulfilled. In the arrangement of expenditure, the completion of priority items was guaranteed while consideration was also given to general tasks, everything was handled very cautiously and allowance made for unforeseen circumstances. We must firmly adhere to these good methods. However, at certain times the national economy would stagnate and even regress. The reason for such occurrences are manifold. In economic work, the important reasons were a disregard for objective laws, a disregard for the financial strength of the state and its material capabilities, and rushing into this and that project, thereby causing confusion in the proportionate relationships. We must study the past and comprehend the new. Reviewing the lessons and experiences of the past and studying the historical laws will be extremely beneficial for an effective performance in our work of comprehensively balancing the financial budget.

Of course we must also give attention to an analysis and study of all the important proportionate relations of economics and finance in the modernization processes of foreign countries. This will expand our vision, and we must absorb, selectively, whatever experiences can benefit us to serve as references in our work of comprehensive balancing.

Thirdly, rely on the masses, check at each level, and level by level do a good job of comprehensive balancing.

Our state budget is composed of a central budget and local budgets. The local budgets are again subdivided into several levels. In compiling the local budgets at the various levels not only is it necessary to base this work on the budget of the various enterprises, undertakings, capital construction units and the financial budgets of the various administrative organs, but these budgets must also rely for their implementation on the broad masses in the various units. The work of comprehensively balancing the budget can be accomplished well only by relying on the broad masses. The budgeting departments at the various levels right down to the grass roots budgeting units must all do a good job of repeated calculations and studying, tapping all possible potential, giving a positive and reliable accounting of income and a meticulous and careful accounting of financial expenditure, exercising economies, constricting budget expenditures and striving energetically to achieve much with little money. At the same time we must start out with a consideration of the overall situation. We must adhere firmly to the principle of regarding the whole country as one "chess-board" in effectively balancing the manpower, financial and material resources of a particular district or department and must make adequate dispositions of the important proportionate relations in economics and finance. This is the only way to effect a check at each level and achieve a balance level by level, and to provide a reliable basis for the work of comprehensively balancing the entire state budget. Of course, the comprehensive balance of the state budget is relative as to its disposition. In the course of implementing the budget, new imbalances will normally appear and will demand that we take appropriate action on the basis of the actual conditions in order thus to restore a balance.

When we study how to comprehensively balance the state budget, we must not only repeatedly calculate the income and expenditure related to the state budget, we must at the same time also give consideration to funds already allocated within budgetary administration to the various districts, departments, enterprises and units to be managed by them on their own, such as the local surcharges, road tolls, charged according to regulation, renewal and reconstruction funds left to enterprises, portions of profits retained, etc. Taking the country as a whole, these funds amount to a considerable figure. These funds are supplementary to the state budget funds. The use of these funds must be equally well balanced comprehensively and require appropriate disposition of manpower and material resources. Otherwise, it will be easy to have items extraneous to the plan harming items within the plan, or result in wasted capital and economic results not being what they should be.

NATIONAL ECONOMIC POLICY

ECONOMIC JOURNAL OPPOSES HIGH TARGETS IN ECONOMIC PLANNING

Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 79 pp 3-6 HK

[Article by Shen Yi [3088 6146]: "Oppose High Targets in National Economic Planning, Conduct Readjustment Work Properly"]

[Text] Since the "gang of four" was smashed, our national economy has been restored and developed with great success. However, as a result of the interference and disruptive activities carried out by Lin Biao and the "gang of four," quite a few problems remain to be solved in the national economy and striking imbalances between some proportionate relations have not been completely corrected. The pernicious influence of the ultraleftist line carried out by Lin Biao and the "gang of four" for many years has not been eliminated. This is the great obstacle to our implementation of the policy of readjusting, restructuring, rectifying and improving the national economy and to the acceleration of socialist modernization. One of the striking manifestations of the ultraleftist line pushed by Lin Biao and the "gang of four" in the economic domain was that high targets were blindly sought in national economic planning. High targets are an expression of the ultraleftist idea that "left" is better than right. Running counter to the basic principle of Marxism-Leninism-Mao Zedong thought, it does not proceed from the actual conditions and does not respect objective economic laws. For a long time, we opposed right but not left deviationism, opposed conservatism but not premature advance, wanted to start a project but not to discontinue it, and politically emphasized the need to develop the national economy rapidly instead of economically analyzing the realistic possibility of rapid development. Such were the ideological roots of the high targets that appeared for a comparatively long period of time. Because of this and also the overcentralization of power in our system of economic management, plans with high targets could be pushed through right to the basic level without opposition. This resulted in things going contrary to our wishes and losses being suffered in our socialist construction.

What is a high target? Comrade Mao Zedong once said: "No one may imagine things groundlessly or plan one's actions beyond the conditions permitted by objective circumstances and must not force oneself to do things that are impossible to do." ("Preface to 'Socialist Upsurge in the Rural Areas of China,'" "Selected Works of Mao Zedong," Vol 5, p 224) Furthermore, he

said: "I propose that the words 'safe and feasible' in the 1956 state budget report be changed to 'fully feasible'...not fairly feasible but fully feasible. It is not easy to be fully feasible." ("Speech at the Second Plenum of the Eighth CCP Central Committee," "Selected Works of Mao Zedong," Vol 6, p 316) According to Comrade Mao Zedong's thinking mentioned above, targets established national economic planning beyond objectively permissible conditions, which are not fully feasible targets, are high targets. Whether targets are fully feasible or not will depend on whether the targets in national economic planning leave some room for maneuver or leave a gap. It is necessary for planning to leave some room for maneuver because the correctness of its prediction of the development process of the national economy can only be relative. Because of this and also certain unfavorable factors (such as natural disasters, influence of international environment) that are difficult to predict, unexpected imbalances will appear from time to time. If there is no room for maneuver, we shall have no way to cope with the situation and shall land up in a passive position.

Some comrades hold that while the planned targets created some problems in the consumption of raw and processed materials, fuels and power, the problems can be solved if the level of enterprise consumption, which is comparatively high, is lowered to the advanced level. I think this is an excuse made for high targets. While enterprises should do everything possible and take various measures to lower their consumption level to the advanced level, in many circumstances this will not depend entirely on the efforts made by the enterprises themselves. Not all enterprises can achieve this quickly. For this reason, the difference between the present realistic level of consumption and the advanced consumption level should be taken as the "room left for maneuver in planning." The enterprises themselves should be allowed to make the adjustments. We should not set high targets and let the plan create problems. A plan that leaves a big gap is not a plan and can only be regarded as half-plan or no plan at all, because the gap itself is a negative factor in planning.

Over the past 30 years, the development of our national economy has gone through twists and turns, in the course of which we have suffered a great deal from high targets and learned profound lessons. High targets, it may be said, are the greatest factor of instability in the economic domain. Their harm finds expressions in many respects:

First, high targets undermine a comprehensive balance in the national economy. Striking imbalances now appearing in the national economy were caused, in many respects, by the high targets set in the past. If high targets are not rectified or lowered, comprehensive balance in the national economy cannot possibly be achieved. Each year in the past we talked about a "comprehensive balance" but imbalances became more striking. An important reason for this was that we did not have the heart to lower the high targets. In our economic work we went after the rate of development and paid no attention to economic results. With regard to the rate of

development, we simply brought rapid development of the steel industry to the fore and overlooked development of agriculture, light industry and the fuel power department within heavy industry. In line with this guiding thought, our method of drawing up national economic plans was frequently to determine the high rate of growth of industrial production first, particularly production of iron and steel products, and then to calculate the manpower, material and financial resources necessary for achieving these targets. Depending on the capabilities left, we finally had to arrange production in other spheres and the consumer needs of people's livelihood. This method of arranging the plans turned upside down the order of agriculture, light industry and heavy industry, and undermined the proportionate relations in the development of agriculture, light industry and heavy industry. With high targets taken as the key link in arranging the plans, importance was inevitably given only to accumulation and not to consumption; consideration was given only to development of production and not to improvement of people's livelihood; and stress was laid on output of iron and steel and not on balanced, coordinated development of agriculture, light industry and heavy industry. This could do nothing but cause an imbalance.

We should forever take the constant improvement of people's livelihood as the aim of socialist production and attach importance to it. To be sure, the revolutionary tradition of waging an arduous struggle and building our country through thrift and hard work should be carried forward. "First transform the terrain, then build the abode" is of positive significance if it is used as a slogan of political education or a provisional work arrangement. But if it is taken as the guiding principle of long-term national economic construction, it would be a one-sided and wrong guiding principle. It is bound to cause an imbalance between accumulation and consumption and between production and livelihood. Therefore, the idea that speed will be achieved by setting a high target regardless of the objective requirements of economic laws is a subjective idealist illusion like the saying "one's ambition determines the yield." The result will be that "haste makes waste." It will not only land the livelihood of the people in difficulties but will also make the rate of economic development drop.

For a few years after 1958, our national economy stagnated and declined for a time and the people's livelihood was in difficulties. One of the fundamental reasons was that the targets in economic planning, particularly for the steel industry, were too high. Beginning in 1961, the policy of readjusting, consolidating, filling and improving was carried out and high targets were lowered. Since then, the national economy rose steadily and rapidly. Under the influence of the ultraleftist trend of thought, however, high targets appeared again during the great cultural revolution. All along, the high targets became the negative factor hindering all-round development of the national economy and eventually caused the striking imbalances now found in the national economy.

Imbalances among agriculture, light industry and heavy industry also exist in Jiangsu. What is particularly serious is that the fuel power industry has fallen behind the processing industry. This has become a very sharp contradiction in economic development. In terms of the products planned by the state, the province's total value of industrial production has increased by 9 percent but electric power and coal increased by only 3 and 2.2 percent respectively. At the moment, the province is 30 percent short of electricity and about 20 percent short of coal. This being so, in readjusting the national economy we should not only rectify the existing enterprises. In the distribution of raw and processed materials, fuels and electric power, we should select the enterprises to be supplied on a priority basis. We should rectify and reorganize those enterprises with a high rate of consumption and which have poor quality products not suited to needs. We should strengthen production of raw and processed materials that are in short supply and shorten production of products that are in full or excessive supply.

Of course, readjusting proportionate relations and lowering high targets do not mean that all targets are to be lowered. It means that some targets are to go up and others to come down and that on the whole the production scale is to increase. In Jiangsu, development of the fuel, electric power and raw and processed materials industries must be accelerated and the construction materials industry must also be developed quickly. Otherwise, capital construction of several key state projects in Jiangsu cannot be insured.

Second, high targets are an important reason for defects in economic management: "Goods are not suited to needs" and products pile up.

Marx said: "Consumption is created as the inner subject of production, as the need of the aim." ("Preface to 'Critique of Political Economy,'" "Selected Works of Marx and Engels," Vol 2 p 96) The aim of socialist production is to satisfy the ever increasing material and cultural needs of the whole society. These needs find their concrete expressions in the use-values of various products, that is, the specific variety, standards, quality, color and design of products...and so forth. If the specific use-values of products cannot meet consumer needs, then the higher the targets and the more the output, the greater the consumption. As we know, there is a definite contradiction on the one hand between production and output of any product and between variety, standard, color and product design on the other. If the products are old brand ones and the goods popular and dependable (irrespective of whether they are means of consumption or means of production) and if processing difficulties are small, output and production value will be easy to increase; otherwise, they will not be easy to increase. In our economic development, we can only increase output and production-value under the premise of meeting consumer needs. But under the ideological influence of high targets, things are turned upside down: The competent department often determines, first of all, the range of

production increase and the target of total production-value and then considers turning out which variety, standard, color and design to realize this range of production-increase and the targets of production-value and output. When the increase of output and production-values comes into conflict with the use-value, the department does not scruple to sacrifice the use-value to meet the demand for increasing the output and production-value. Thus, satisfaction of consumer needs is no longer the aim of production. Inevitably goods produced are not suited to needs and products pile up.

Take steel products for example. The department concerned often determines, in the first place, the high target of annual output. On the basis of this target, it then arranges the variety and standard of products which results in popular goods of dependable quality far exceeding needs. For instance, among rolled steel products, quantities of medium-thick steel plates pile up in warehouses whereas there is a shortage of variety of small standard rolled steel such as thin steel plates. Of the bearings produced in our province, large standard products pile up while bearings for agricultural purposes are either out of stock or sold out. The production of large electric bulbs, which are unsalable on the market, exceeds targets while the variety of products demanded by the market is sold out because their production-value is small. To "exceed the same period of last year" in terms of production-value, the Nanjing No 2 machine tools plant is obliged this year to produce more gear slotting machines but less hobbing machines urgently needed by the state. Since certain enterprises one-sidedly went after production-value and profits over the past 10 years, the second light industrial system in Nanjing edged out more than 1,200 varieties of small market commodities which had a low production-value and bore small profits but which were needed for people's livelihood. The varieties of small market commodities in Nantung were reduced from 1,200 to 700. Thus, with the higher level applying pressure to insure production-value and the enterprises grasping production-value, goods that have been in short supply on the market for a long time have not increased and goods that have been in full or excessive supply have not been reduced.

With production divorced from consumer needs, the contradiction between production and marketing has been brought into striking relief. Both industrial and commercial departments are overstocked, and loans to them have been sharply increased. Some factories have been compelled to stop production. According to the figures for this February, the amount of funds appropriated by local state-owned industrial enterprises increased by 22 percent over last year. In addition, the stock of rolled steel also increased.

Third, high targets hinder improvement of the managerial and technical levels of enterprises and decrease the economic results achieved by enterprises.

The policy of readjusting the national economy also envisages rectifying existing enterprises and improving their managerial and technical levels.

If the problem of improving the managerial and technical levels of enterprises is not solved, modernization will come to nothing.

High targets leave some gaps and disturb the normal production order of enterprises. Under the ideological influence of high targets, the administrative leading bodies raise the quota at each level concerning the production plans for enterprises, thus widening the gap in the supply of raw and processed materials. For example, the First Ministry of Machine Building gave the Nanjing No 2 machine tools plant the task of producing 400 gear machine tools in 1978. The provincial and municipal departments added quotas at each level up to 505 tools. According to the plan, 640 tons of material were needed but only 170 tons were allocated in the first half year. Because of shortages of raw and processed materials, fuels and electric power, the leaders of many enterprises now spend considerable energy procuring materials and fuels and coping with shortages of electric power, going here and there to establish relationships with suppliers. Purchasing agents are found everywhere. Factory superintendents report: "We spend five-sixths of our time procuring raw and processed materials and dealing with the problem of power shortages and power failures. We simply have no time to grasp production and management." The greatest demand of the enterprises now is that the state translate the "five-fixes" and "five-guarantees" into reality. Otherwise, if enterprises are regularly placed in such a difficult position that "having taken their lunch, they worry about their supper" and that it is even difficult to maintain their normal production order, then the enterprises can only place in the secondary position such problems as rectifying their leadership squads, strengthening their management, and improving product quality economic results. For this reason, without lowering the high targets and solving the problem of comprehensive balance, normal enterprise order cannot be established and the results of rectifying enterprises will be limited. It will be difficult to examine in a matter-of-fact way the eight economic and technical indices for enterprises. As to capital construction of enterprises, economic responsibility, business accounting and the system of rewards and penalties, it is possible that they will become "cakes drawn on paper to allay hunger" in the circumstance in which high targets are set.

The core of the four modernizations is the modernization of science and technology. Old enterprises whose potentials are to be tapped and techniques to be innovated and which are to be transformed serve as the main bases of the four modernizations. But high targets hinder implementation of the policy of tapping the potentials of old enterprises, innovating their techniques and transforming them. Under the pressure of high output targets and production-value, even the time necessary for overhauling enterprise equipment is taken up for production purposes. This results in an increase in accidents, because of the continuous use of unserviceable equipment for long periods of time. With regard to the supply of materials and goods, capital construction frequently edges out production and production edges out maintenance since the gaps of rolled steel, timber and cement are large. The rolled steel distributed to enterprises in Jiangsu

for maintenance purposes this year has only been about half of the standard fixed by the state. In these circumstances, factories find it even difficult to maintain simple reproduction. They find that technical transformation, study and popularization of new technology, renewal of old products and trial manufacture of new ones even more difficult.

The backward level of management and the backward technical level of enterprises resulting from high targets are comprehensively reflected in poor economic results. The effect of high targets on economic results may be clearly seen from past and present economic and technical indices. During the great leap forward and the cultural revolution, the greater part of the economic and technical indices dropped by large margins, even though production-value and output showed some increases. Although the situation has taken a great turn for the better after 2 years of rectification, 70 percent of Jiangsu's enterprises have not restored their economic and technical indices to their best historic levels. Take Jiangsu's chemical trade for example. Although the total value of production increased by 310 percent in 1976 as compared with 1966, the labor productivity of all personnel dropped by 31.8 percent and the rate of profit on 100-yuan value of production by 60 percent. In addition, the amount of losses greatly increased. This state of affairs was not confined to one trade. In the case of our province's state-owned industrial enterprises, the rate of profit on 100-yuan value of production also dropped conspicuously (from 14 yuan in 1970 to 10.7 in 1977). The "best levels in history" we are speaking of were in most cases established during 1965 and 1966. For instance, of the 26 key product indices, the best levels of 11 kinds were established during the 2 years in question. Of the 28 unit-product consumption indices, 18 of the best historic levels were also established in those 2 years. The production value-profit ratio and capital-profit ratio were also the highest in those 2 years. This proves that whenever high targets were set, economic results decreased. After we lowered the impractical high targets set during the big leap forward and carried out the "8-character policy" of readjusting the national economy, we established the best levels of economic results during 1965 and 1966. Moreover, our industry developed at a greater rate. Such is the enlightenment we have gained from history.

CSO: 4006

NATIONAL ECONOMIC POLICY

UTILIZING LAW OF VALUE IN ECONOMIC ACCOUNTING

Beijing CAIWU YU KUALI [FINANCE AND ACCOUNTING] in Chinese No 4, 20 Apr 79
pp 10-13

[Article by Chou Wei [0092 3837], Finance Section, Qiqihar Machinery Plant
No 1]

[Text] In the government report at the Fifth National People's Congress, Chairman Hua pointed out: "Under the guidance of unified planning by the state, we must conscientiously utilize the law of value." When studying this statement and restudying Chairman Mao's instruction of 1957, "make use of the law of value and adopt economic accounting."¹ We deeply feel that the problem of how to utilize the law of value in economic accounting is a realistic task that we, the workers in the finance departments of enterprises, are now facing. As far as we are concerned, the law of value is something both very familiar as well as a strange and unknown thing. We deal with it every day but have not really felt out its true temper. The following are merely some superficial observations made on the basis of the understanding that I gained in my work.

1. Every socialist enterprise, whether producing commodities for trade or other products, must use a method of economic accounting to check the business effects of its own production. "Only after a strict system of business accounting has been introduced is it possible to find out whether an enterprise is operating profitably."² Economic accounting must take values as its basis; value and the law of value determine the content and task of accounting for economic accounting, and furthermore guide us in accomplishing the purpose of economic accounting according to the demands of the law.

The law of value first of all determines the specially designated position of use-value. "The labor-time socially necessary for the production of a use-value determines the magnitude of the use-value."³ Use-value is the materialized bearer of value. Apart from use-value, there is no value to speak of. Value is the value of using a thing. "If the thing is useless, so is the labor contained in it; the labor does not count as labor, and therefore creates no value."⁴ We must therefore give full attention to use-value as the determining factor for value. To deal properly with the contradiction between the two, use-value and value, and to make of it a success

by achieving greater, faster and more economical results is one of the principles of economic accounting. When we calculate such value indexes as capital, costs, profits, etc., we must pay attention, most comprehensively, to the inherent relationships and mutual contradictions showing up in the analyses of the main economic indexes of enterprises, seeking to find the road to greater, faster, better and more economical results and solving the actual problems in the enterprises. For instance, in efforts to raise product quality to highest excellence, is it absolutely necessary to increase the production costs? If it is indeed necessary to increase production costs, will the high quality make it necessary to get high prices? Has the loss due to waste materials generated in connection with the quality problem been kept to the lowest limits, regardless of whether such waste materials can be restored or not? What reserves can still be tapped? In what respect have the changes in product variety and the quantity of completed production had an influence on satisfying the needs of society and on the realization of profits in the enterprises? An analysis and study of these principal indexes can provide vivid elements in the calculation of such value indexes as capital, costs, profits, etc., as it will also be helpful in raising the overall level of management in enterprises and help achieve the objective of economic accounting. If we do not pay attention to the guiding function of use-value, do not uphold the principle of "quality first," thus not paying special attention to capital, production costs, and profits, it is quite possible that the results we get will be the opposite of what we desire and that we will have to suffer the penalties of the law of value.

To base on the affirmed use-value and calculate the disparity between the actual expenditure of labor-time by an enterprise and the labor-time socially necessary is the content of economic accounting, and the reduction of the various disparities to achieve levels higher than those of society in general is the task of economic accounting. We must say that ascertaining whether the labor-time expended by an enterprise on the production of a certain product can be below the ordinary level of society is the minimum requirement of economic accounting. To continuously "shorten the labor-time socially necessary for the production of a commodity and to endow a given quantity of labor with the power of producing a greater quantity of use-value,"⁵ that indeed is the long-term task of economic accounting.

"The labor-time socially necessary is that required to produce a certain use-value under the normal conditions of production, and with the average degree of skill and labor intensity prevalent at the time."⁶ Looking at the content, there are two factors determining the amount of labor-time socially necessary: one is the state of the present, normal production conditions of society, and one is the average degree of skill and intensity of labor in the society. The integration of these two factors is in actual fact also the average labor productivity of society. The key in determining whether an enterprise is able to achieve the labor-time socially necessary is whether it possesses good production conditions and workers with fairly high production skills, and also whether the degree of specialization demanded by social cooperation and division of labor is up to the normal level

of society. According to these demands, economic accounting must investigate from two aspects the production results and economic effectiveness of an enterprise, promoting the continuous elevation of its labor productivity.

On the one hand a check is to be made on present production conditions in the enterprise and the economic results that can be obtained under these conditions, with an analysis of any disparities with the normal conditions prevailing in society at present, to stimulate the enterprise to continuously perfect its production conditions so as to achieve results above those of the normal level of society. In this respect accounting work must pay special attention to the following three points: (1) through an investigation of the amount and quality of production that can be produced with the present technical equipment of the enterprise and the number and qualification of workers that maintain production, check the degree of progressiveness of its technical equipment; through an investigation of operation shifts and operating times of the equipment, analyze the extent to which the present equipment is actually brought into full play, reflect the adequacy of present capacity as regards the provisions of the state production plan; through an investigation of the condition of the equipment, analyze the use of overhaul and depreciation funds and reflect the quality of such managerial work as the utilization, protection, maintenance, checking and repairing of equipment. Finally, through an investigation of the interest rate on fixed capital, reflect comprehensively the effectiveness of the use of fixed assets. Through all the above systematic investigations, we can eventually reflect results by value indexes, and can measure the disparity between the effectiveness of techniques and equipment of the enterprise and that of normal or advanced levels of society, so that every effort will be made to reduce the consumption of labor-time in this area. (2) Through an analysis of the supply channels, quality, performance and prices which form the object of the use of labor in the enterprise, calculate the quantity of material being consumed for production at the particular unit, its material utilization ratio, the rate of wastes and rejects and reuseability of such, reflect the level of designing and technology involved in the production, the level of material management and whether it is up to the normal social level of the time, and measure whether the expenditure of embodied labor has already reached the best possible level. (3) Through an assessment of production costs of an enterprise, especially its subsidiary production costs and nonproductive costs and a linkage with labor productivity calculations, reflect whether the productive forces have already been raised to the degree of "productive force of social labor," and whether they have reached the level of socially normal specialized production. To get a firm grip on these three points is of extreme significance for the continuous improvement of the production conditions in the enterprise, for raising its labor productivity and for economizing in the use of socially necessary labor-time.

On the other hand we must exert efforts to raise the degree of working skill of the workers and preserve the labor intensity at the social average and have it reach the social average at its advanced level. In this respect,

economic accounting will calculate labor productivity in kind, labor productivity in value and labor productivity in man-hour norms. It will also reflect the economic effects resulting from the degree of working skill displayed by the workers and from the intensity of labor. We must furthermore lay particular emphasis on carrying out an accounting of the institutional man-hour utilization ratio, analyzing the various reasons that create absences from work and interruptions in man-hours, solving problems in production management and labor management and raising labor productivity. In this respect it is of great significance to preserve the social average of labor intensity. The social average of labor intensity in the socialist system should indicate to every worker in every kind of work the degree of utilization of working hours and his work potential within a determined working time, that is, the degree of "work produced" and "effort exerted." This is also expressed in the common saying, "work fully, work well, throughout the 8 hours."

If we are to use "socially necessary working time" as a yardstick in economic accounting, it will demand of us, of necessity, that we gain an understanding of and a firm grip on the social average level and advanced level. In this way, the exchange of data within the same branch of business, the launching of competitions within the same branch of business to emulate, learn from, catch up with, help and in turn surpass each other, and the regular comparison of economic indexes will stimulate enterprises to make a success of economic accounting.

If we comprehend the above-stated law, conscientiously utilizing it, exerting efforts to raise the use-value and economizing on working time, gaining a firm grip on the important points of accounting and improving the quality of accounting, we shall raise the level of enterprise management to new heights.

2. The law of value stipulates: The value of a commodity is determined by the socially necessary labor-time needed for its production. The price of a commodity is the income derived from it when it is offered to society by the enterprise at a fixed price based on its value and on the principle of an exchange for equal value. This shows that the law of value is contained in all the production and business activities of the enterprise. The reason why we can utilize the law of value in economic accounting is because of the functions the law itself performs. How do we apply the law of value specifically? Here I shall concentrate on some relevant problems.

(1) Value is determined by the socially necessary labor-time. The socially necessary labor-time can again be divided into past labor-time and live labor-time. Past labor-time is the value that has already been transferred to the commodity, it is the value of means of production already spent (c); live labor-time is the new value created by the worker in the process of production, which again can be divided into values paid to the worker in the form of wages and created by the worker "as work for his own self" (v) and the newly created value, "work done for society," which is delivered up to the state as profit (M). The value of a commodity is therefore composed

of $C + V + M$, in which $C + V$ constitute the production costs of the commodity. We already know that the value of a commodity is determined by the socially necessary labor-time, and each of the components C and $(V + M)$ must also be determined by its individual socially necessary labor-time factors. The total of the socially necessary labor-time factors of a commodity is the total of all the specific labor-time factors expended in the various sectors of the process of production and circulation of an enterprise; it is extant in all the production and business activities of the enterprise. The expenditure of time by the enterprise must not be higher than the social average level, and it is therefore necessary that the specific labor-time expended in each sector must not be higher than the social average level (even if it is higher in some sectors, savings in other sectors could cause the total to be below the social average level). Otherwise the aim of economizing in labor-time could hardly be achieved, and that means the purpose of economic accounting could not be achieved either. In trying to control expenditure of labor-time we must therefore start out with the control of the specific labor-time in each sector. It means we must render in concrete terms the socially necessary labor-time that constitutes the commodity, render it into specific labor-time factors socially necessary in each sector and render it into a yardstick to measure whether a particular sector is economizing in labor-time. Once this yardstick for labor-time expenditure has been rendered in specific terms, it must serve as a "norm" within the enterprise. When we speak about the norm having to be of the average advanced level, this must of course be the average advanced level of the society. Concrete application of the law of value in economic accounting, determining norms that are of the average level of society, or to create conditions favorable for the realization of these objectives is an important segment in effective economic accounting work.

When determining specific norms for embodied labor and live labor, we must classify them and mark them out separately according to their different characters and functions. For instance, in the case of expenditure of embodied labor, we can determine separately material expenditure norms for raw materials, fuel, motive power directly used in the production of the product, material expenditure norms or control indexes for money for repairs, transportation or materials for consumption indirectly used on the production of the product, utilization ratio of fixed assets, rate of wear and tear, rate of depreciation, and such other plan indexes, material expenditure norms or control indexes for money concerning material expenditure on business management, etc. As to live labor expenditure, we must also determine separate norms for man-hour expenditure on unit products, fixed numbers of personnel for each production unit, institutional man-hour use norms, labor productivity plan indexes, fixed numbers of production and nonproductive personnel for subsidiary production, etc. If we have such norms that specifically apply to every sector and that are at the social average level, and in addition have accurate records and accounting that reflects true consumption, then we shall be able to reflect the business results of an enterprise and to achieve our purpose of continuously raising work productivity and economizing labor time.

(2) Price is the monetary expression of value. When we use the law of value in economic accounting we must have the aid of prices and use monetary forms to reflect the degree of economy in labor time. In the socialist economy we have plans and according to the rule of proportions our principle is: "The plan comes first, prices second!" Prices are to serve the plan, and we carry out a system of planned prices. Planned prices are an important tool of economic accounting. The plan prices within a factory are equally based on value. For instance, the plan prices for materials are fixed on the basis of social prices; the labor supply plan prices inside the factory, plan cost prices for products and semifinished articles and other such prices are fixed on the basis of specific norms for embodied labor and live labor. By the use of constant plan prices in economic accounting to measure the changing amounts of expended materialized labor and live labor, we can correctly reflect economy or waste in productive activities, clarify the economic responsibility and economic effectiveness of production units or workers, and urge on every sector of production to pay attention to economies in every magnitude of value. If we therefore institute a system of plan prices within an enterprise based on value, it is also a concrete application of the law of value.

(3) Economic accounting, using value and its monetary form as tools, has the function of "summarizing the controls and concepts of the process."⁷ Through the control of labor expenditure in the process of productive operations of the enterprise, the enterprise can be guided toward strengthening of its management and toward greater economic results. This is an effective encouraging function. This kind of control must extend to the entire process, must rely on the grass-root production units and the broad masses of staff and workers, on a sound system of economic accounting throughout the factory, on an effective economic accounting at three levels, in the factory, in the workshops and in work teams, rendering them capable of calculating production consumption and production results within the sphere of their own productive activities. In effecting economic accounting at three levels, we must have norms and plan prices that conform to the law of value and in addition must have a strict system of internal accounting and checking to determine and reflect in monetary form the magnitudes of value and magnitude of labor that must be consumed for each production result. Whenever an individual production unit provides some production result or labor to another production unit in the factory, there should be a transfer of magnitude of value at equal value to compensate their own production consumption with the value equal to its own production result, deriving therein a value of economy. In the accounting that covers the whole process of production, the law of value fulfills an effective function throughout and gives expression to the objective necessity of utilizing the law of value in economic accounting. Only when we realize this objective necessity will we be made to apply this law conscientiously and concretely to serve the four socialist modernizations.

3. Using the law of value in economic accounting will also help strengthen the checks on the use of capital funds and raise the quality of capital management. We know that "in order that a certain quantity of labor may

be embodied in commodities and thereby produce value, a certain quantity of instruments and materials of production is required."⁸ Capital is a "technically required mass"⁹ of materials of production and labor objects in monetary form allotted by the state to the enterprises. The capital funds of enterprises in a system of ownership by the entire people are assets of the entire people. If the state hands these assets of the entire people to enterprises for their use, it expects the enterprises to use these capital funds effectively for the production of products useful to society and to deliver up profits to the state. In this respect it is one of the most important tasks of economic accounting to have the least amount of capital produce the maximum production results and profits. The law of value will also demonstrate its effectiveness in the area of employment of capital funds. Capital belongs to the category of value. The material form of capital are things, that is, materialized labor, also useful things. If a factory possesses these things it "must seize upon these things and rouse them from their death-sleep, change them from mere potential use-values into real and effective ones."¹⁰ This is a prerequisite to raising the effectiveness of the use of capital funds. If an enterprise leaves idle the technical production equipment provided by the state and reflected in form of its fixed capital, the effectiveness and the results obtained by that enterprise will be below the social average effectiveness. Similarly, if an enterprise overstocks raw materials, auxiliary materials, tools, etc., obtained from the state, or lays up large quantities above the fixed norms, thus preventing "the potential use-values" from becoming "real and effective use-values," this enterprise is taking up capital at a level above the normal social level and will not be able to meet the demands of effective use according to the average social level. If these overstocked materials deteriorate or become obsolete due to social technical advances, these "potential use-values" will become useless objects or things no longer fit for their original purposes. Social assets which have been created by one enterprise can thus be wasted by another enterprise. If this happens it will have a destructive effect on the planned and proportionately developing national economy and on the infusion of values into the production process according to the normal social level. This would be the unavoidable result of conducting affairs not in accordance with the law of value.

Checking the level of funds being taken up by enterprises is only one aspect of the problem. Another aspect is that only through a check of the effectiveness with which an enterprise uses its funds can we reflect accurately whether the "technically necessary mass" is effectively brought into play in the production and circulation process. The best method is to check the profit rate in relation to its funds. The profit rate in relation to funds is the comprehensive indicator which, through the ratio of profits to funds, reflects the effectiveness with which an enterprise uses its funds and brings them into full play. This indicator can reflect the level at which fixed capital and circulating capital funds are being taken up by an enterprise; it can also reflect the economic results achieved by the workers under the production conditions provided by state funds. To use this indicator is therefore of the greatest significance.

Through a check of the effectiveness of capital funds taken up or used by an enterprise we can encourage enterprises to give attention to a full use of the social assets, namely the use of capital funds, to use the least capital to produce the most value, thus to achieve the objective of economic accounting.

Chairman Mao, discussing the law of value, once said: "This law is like a great school. Only by its use can we possibly teach our millions of cadres and the millions of people and build our socialism and communism. Otherwise nothing will be possible."¹¹ To use the law of value in economic accounting is one course in this great school, and it is a complex course dealing with the entire process of production and circulation in the enterprises. We must make efforts to make a success of studying this course, of making a success of financial affairs in enterprises, thus contributing strength to the country's construction of socialist modernization.

FOOTNOTES

1. "Mao Zedong Xuanji" [Selected Works of Mao Zedong] Vol 5, p 361.
2. Mao Zedong, "Jingji Wenti Wei Zaizheng Wenti" [The Economic Question is a Question of Finance], Jiefangshe, p 114.
3. "Zibenlun" [Kapital] Vol 1, p 52.
4. "Zibenlun," Vol 1, p 54.
5. "Zibenlun," Vol 1, p 350.
6. "Zibenlun," Vol 1, p 52.
7. "Zibenlun," Vol 2 p 152.
8. "Zibenlun," Vol 3 p 54.
9. "Zibenlun," Vol 3, p 54.
10. "Zibenlun," Vol 1, pp 207-208.
11. "Dui 'Guanyu Wu Ji Ganbu Huiyi Qingkuang Di Baogao' Di Piyu" [Critical Remarks on 'On the Report on Conditions of the Meeting of Cadres of Five Ranks'] quoted from the speech of Comrade Hua Guofeng at the Meeting on Finance and Trade of the Whole Nation Learn from Daqing and Dazhai.

NATIONAL ECONOMIC POLICY

'GONGREN RIBAO': OVERCOME OBSTACLES TO TRANSFORM ECONOMY

Beijing XINHUA in English 0256 GMT 8 Aug 79 OW

[Text] Beijing, 8 Aug (XINHUA)--Today's WORKER'S DAILY editorial calls on the people to further eliminate the influence of sham Marxism advocated by Lin Biao and the gang of four, overcome the force of habit and inexperience and fight a good battle in the next three or five years to speed up the national economy.

During the past two years and more China has waged an intensive battle to straighten things out in the political and ideological fields, and a fundamental change has been effected.

Another good battle in the next three to five years will bring about the sustained speedy development of the national economy, and the living standards of the people will greatly improve.

But this can be an uphill struggle with a lot of obstacles on the road, the editorial says. Only with singleminded determination and courage can these obstacles be overcome. One of the biggest of these is sham Marxism which has hampered the full implementation of the party's policies for development in the new historical period. Some people are hesitant about carrying out new policies because they still have misgivings. Some still regard economic management by economic means as "putting profit in command," and the principle "to each according to his work" as "using material incentives as bait." They feel that the introduction of advanced foreign technology and methods of management is "worshipping things foreign and fawning on foreigners."

In a word, they take the ultra-left views of Lin Biao and the gang of four as the "golden rule" and cannot disentangle themselves. It is, therefore, necessary to thoroughly eliminate the ultra-left influence of Lin Biao and the gang and right the wrong in the economic field.

Another obstacle, the editorial points out, is force of habit.

China's long feudal period was followed by a semi-feudal and semi-colonial society. The brand of petty production have burned deeply into some people.

They are apt to follow the beaten track and be content with the present state of affairs. Some are callous and even resistant to change. Some have become accustomed to management by administrative order and feel insecure about the economic reforms now being undertaken.

Inexperience, lack of understanding of modern science and modern production management methods constitute yet another big roadblock, says the editorial. It calls on the people to break the shackles of force of habit, acquire scientific knowledge and blaze a new trail to modernization.

"If we carry out correct policies, use good methods and rely on the masses, we can transform the national economy," the editorial concludes.

CSO: 4020

NATIONAL ECONOMIC POLICY

'GONGREN RIBAO' EDITORIAL ON WORKERS' LIVELIHOODS

Beijing XINHUA in English 0707 GMT 4 Aug 79 OW

[Text] Beijing, 4 Aug (XINHUA)--A front-page editorial in today's WORKERS' DAILY calls for attention to workers' livelihoods, and also urges workers to understand China's difficulties and strive to increase production and practise economy.

The editorial says that wages will increase for a certain proportion of the workers and that more housing will be built for them this year in accordance with financial and material conditions.

However, problems in the people's livelihood which have existed for years cannot be solved overnight, but have to be tackled step by step in the wake of expanded production, the editorial notes.

It says that although China is facing many difficulties, work must be strengthened to improve the worker's life. It recommends improvement in management and quality of service. It also recommends mutual assistance among workers in situation like caring for the sick, moving house, mediation in arguments, helping newly-married couples and burying the deceased.

The role of the workers' conference should be expanded and major issues in workers' lives, such as the assignment of housing, should be fully discussed, the editorial says.

Today's WORKERS' DAILY also gives front-page play to a report on a recent national conference held by the All-China Federation of Trade Unions on improving workers' livelihoods.

Speakers at the conference urged trade unions to coordinate with administrative organs to improve the workers' working and living conditions as well as their welfare, and to pay particular attention to workers in the light industry, textiles, coal, petroleum, power, transportation and the building materials industries and in remote areas.

Trade unions also should give assistance to those who are in need, carry out birth control, increase farm and sideline production, ensure labour protection and insurance, and help city youth who are waiting for job opportunities.

The conference was attended by cadres in charge of workers' livelihood from the provinces, municipalities and autonomous regions, as well as grassroots trade union officials from factories, mines and other enterprises.

Ni Zhifu, an alternate member of the political bureau of the Central Committee of the Chinese Communist Party and chairman of the All-China Federation of Trade Unions, gave the keynote speech at the conference.

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NATIONAL ECONOMIC POLICY

BRIEFS

INCREASED PRODUCTION TECHNIQUES--Beijing, 24 Aug (XINHUA)--Today's WORKER'S DAILY cites the combination of rewards and labour emulation drives as a good method of increasing productivity. The iron smelting plant of the Wuhan iron and steel company has in the past year combined rewards for production with labour emulation drives, and given greater bonuses to those who work harder and contribute more, says a commentator's article in the paper. Under such a system, the article notes, political and economic work, and the interests of the state, the collective and the individuals are integrated better, so that the enthusiasm of workers for socialism is fired to increase production still more rapidly. Moreover, the article adds, the distribution of bonuses is more rational and the principle of "to each according to his work" is better implemented. [Text] [Beijing XINHUA in English 0729 GMT 24 Aug 79 OW]

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ECONOMIC JOURNAL DISCUSSES LAW OF VALUE, ECONOMIC PLANNING

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[Article by Tang Zonkun [0781 1350 3540]: "The Law of Value, Mechanism of the Market and the Socialist Planned Economy"]

[Text] Correctly understanding the role played by the law of value in socialist economy and the question of the mechanism of the market is of the utmost importance to the question of promoting socialist modernization. This article proposes to put forward some preliminary views from the angle of the basic theory of political economy for discussion with our comrades.

Regulation According to the Law of Value and Regulation According to Plan

Exploration into the relationship between the law of value and the socialist planned economy began in the 1950's in our economist circles. At that time, the following view was held: "A planned economy is governed by the law of socialist economy. It is not governed by the law of value; on the contrary, it will restrain the law of value and lower its role in the national economy." It is only because direct state planning cannot embrace everything that the law of value is "utilized" as a "supplement to state plans." (Xue Muqiao: "Planned Economy and the Law of Value," RENMIN RIBAO Oct 28, 1950) Therefore, "The law of value can only play a subsidiary role." (Xue Muqiao: "More on the Planned Economy and the Law of Value," "Planned Economy" No 2, 1959) This point of view was prevalent for more than 20 years. Even in recent years, it often appeared in the press. For example, it was said: While "the law of value still plays an important subsidiary role in forming planned proportions, it cannot be regarded as the main basis for arranging planned proportions and cannot be allowed to regulate the proportionate relations between various branches of the national economy." "Practice of socialist economic development indicates that the main basis for working out the planned proportions between various branches of the national economy is no longer the law of value, but the basic economic law of socialism and the law of planned, proportioned development of the national economy." (Liu Guoguang, Jie Jianzhang, Huang Zhenqi: "Planned Economy and the Law of Value," HONGQI No 6, 1978)

Here, "allowed" is an eye-catching word. "The law of value...cannot be allowed to regulate the proportionate relations between various branches of the national economy." Can the question be presented this way? I think not. Political economy can only present the question this way: After all, in socialist economy does the law of value actually assert itself in regulating the proportionate relations between various branches of the national economy?

Like any economic law, the law of value is an objective law, whether it asserts itself or not and what role it plays will depend entirely on the economic conditions for its existence. There is no such question as whether or not people allow and permit it. All economic laws are based on the steady, essential and inevitable connections objectively existing within definite economic processes. The law of value is based on the steady, essential and inevitable connections objectively existing within the process of commodity reproduction based on the social division of labor.

First, these connections objectively determine that the labor expended by any producer to turn out a commodity in the system of social division of labor can only be limited to the socially necessary labor. That is to say, it can only be limited to the labor-time necessary for creating certain use-value under the normal productions of existing society and with the average labor proficiency and labor intensity of society." (Marx: "Capital" Vol 1, People's Publishing House, 1975 edition, p 52)

Second, these connections objectively determine that the labor expended by the whole society to produce the total volume of a commodity can only be limited to the labor necessary to satisfy the particular need of society for such a commodity, Marx said: "It is indeed the effect of the law of value, not with reference to individual commodities or articles, but to each total product of the particular social spheres of production made independent by the division of labor; so that not only is no more than the necessary labor-time used up for each specific commodity, but only the necessary proportional quantity of the total social labor-time is used up in the various groups. The condition remains that the commodity represents use-value. But if the use-value of individual commodities depend on whether they satisfy a particular need then the use-value of the mass of social products depends on whether they satisfy a definite quantitative social need for each particular kind of product in an adequate manner, and whether the labor is therefore proportionately distributed among the different spheres in keeping with these social needs, which are quantitatively circumscribed.... The social need, that is, the use-value on a social scale, appears here as a determining factor for the amount of the total social labor-time which is expended in various spheres of production.... This quantitative limit to the quota of social labor-time available for the various particular spheres of production is but a more developed expression of the law of value in general, although the necessary labor-time assumes a different meaning here. Only just so much of it is required for the satisfaction of social needs. The limitation occurring here is due to the

use-value. Society can only use so much of its total labor-time for this particular kind of product under prevailing conditions of production." (Marx: "Capital," Vol 3, p 716, 717) These words of Marx answer the question in the clearest terms: What does it mean by bringing the role of the law of value into regulating social production?

The law of value is the law that socially necessary labor determines value. It is the law that value is determinative. "The law of value of commodities determines how much time society takes out of the total labor-time at its disposal to produce each particular commodity." (Marx: "Capital" Vol 1, p 394) If this "determining" role of the law of value is not one of regulating social production, what is it?

The total social labor is distributed proportionately among different spheres of production according to the definite volume of each particular product needed by society--this objective trend is often referred to as the law of proportioned development in some economic treatises. In fact, it is precisely the basic content of the law of value.

One year after "Capital" Vol 1 was published, Marx refuted his antagonists who, ignorant of his scientific method of examining all value relationships, "said preposterously that the concept of value must be proved." He said: "The volume of products corresponding to the different needs requires different and quantitatively determined amounts of the total labor of society. That this necessity of the distribution of social labor in definite proportions cannot possibly be done away with by a particular form of social production but can only change the mode of its appearance, is self-evident. Natural laws cannot be abolished at all. What can change in historically different circumstances is only the form in which these laws assert themselves. And the form in which this proportional distribution of labor asserts itself, in a social system where the interconnection of social labor manifests itself, through the private exchange of individual products of labor, is precisely the exchange-value of these products." Continuing, Marx made it clear: "Science consists precisely in demonstrating how the law of value asserts itself." ("Marx to L. Kugelmann," "Selected Works of Marx and Engels," Vol 4, p 368)

Since socially necessary labor, that which determines value, refers to "labor necessary both for the relationship between a particular product and other products of the same type and for the total needs of society" ("Marx and Rodbertus," "Collected Works of Marx and Engels," Vol 21, p 216), the concept of socially necessary labor itself contains the connection between social production and social need. Fundamentally speaking, the role played by the law of value is to distribute the total labor of society among different spheres of production according to the definite volume of each particular product needed by society. And this is the regulating role it plays. Therefore, as long as the economic conditions for the existence of the law of value exist, the law of value will necessarily assert itself.

As long as the law of value asserts itself, it will regulate social production. This is independent of one's will, whether it is the chief's will, the government will or the social will. The role played by the law of value in a socialist planned economy is no exception.

As to exchange-value, commodities are exchanged according to the value determined by the socially necessary labor. This is the form in which the law of value asserts itself. In the history of commodity economy which has developed for several thousand years, exchange value has undergone diversified forms of change. In different forms and within the limit of its spontaneous action, the law of value asserts itself in regulating social production.

Both in capitalist and socialist societies the objective trend of balancing social production and social need exists and the law of value asserts itself in regulating social production. But this does not signify in the least that there is no difference here between socialist and capitalist production. What, then, is the difference?

While the objective trend of balancing social production and social need exists both in socialist and capitalist societies, their starting points are different. In the former case, the total labor-time that society has at its disposal is distributed in the necessary proportions among products of different categories; it is subordinate to the production aim of satisfying the social need. In the latter case, such a balance is indispensable only in so far as the social use-value is a value and also the material vehicle of surplus value. The commodity that exceeds social need has no social use-value and, consequently, cannot realize surplus value. This is the first difference between them.

The second difference is that the social needs of the socialist society are different from those of the capitalist society in character and content. Under the capitalist system, demand for the means of production is a capitalist demand. Moreover, the worker demand for the means of subsistence (accounting for the vast portion of the demand) is, in the final analysis, subordinate to the capitalist demand for labor power. The content and scope of these social needs will ultimately depend on the need of developing production and realizing surplus value. Under the socialist system, social needs are subordinate to the combination of immediate and long-range interests of the working people and subordinate to the need of developing their intellectual power and physical power in an increasingly all-round manner along with the progress of social production.

The third difference is that socialist and capitalist societies have different ways of balancing social production and social needs. By its very nature, a socialist society is able to maintain a balance between social production and social need regularly and consciously. And "maintaining balance regularly and consciously means planning." ("Uncritical Criticism," "Collected Works of Lenin," Vol 3, p 566) In a capitalist society, there

also exists a regular trend of balancing different spheres of production. But due to the antithesis between different capital interests, "This regular trend of balancing different spheres of production is but a reaction to the regular upsetting of this balance" and it "only acts afterward as an inner, silent natural necessity." (Marx: "Capital," Vol 1, p 394) "Capitalism must go through crises to establish the balance regularly upset." ("Uncritical Criticism," "Collected Works of Lenin," Vol 3, p 566) Despite the fact that capitalism may produce planning to a certain extent at its monopoly stage, particularly after development of state monopoly capitalism, it cannot eliminate the anarchy and economic crises in the whole society.

It will be seen now that the following thesis does not tally with the facts: "Practice in socialist economic development indicates that the main basis for working out the proportions between various branches of the national economy is no longer the law of value but the basic economic law of socialism and the law of planned, proportioned development of the national economy." Practice of the socialist economic development has not proven that the national economic plans that ignore or overlook the regulating role of the law of value are correct plans and that arranging planned proportions without regard to the law of value can insure balanced, rapid development of the national economy.

In fact, in socialist economy the role played by the basic economic law of socialism is not incompatible with the role played by the basic economic law of socialism and the law of planned, proportioned development of the national economy. Each of them has its subject of regulation. The subject of regulation by the law of value is the balance between social production and social need; it regulates distribution of the total social labor in the necessary proportions and distribution of the means of production and labor power in proportion among the various spheres of production. What the basic economic law of socialism regulates is in the quantity, content and scope of needs of the socialist society as well as the basic ways that must be followed in developing the socialist production to satisfy such social needs. Consequently, it regulates the development orientation of the national economy, namely, the direction in which the proportionate relations are arranged. What the law of planned, proportioned development of the national economy regulates is the planning of the national economy. It is for the whole society to organize the process of social production according to plan and to regulate the relationship between social production according to plan and to regulate the relationship between social production and social need regularly and in the right time. In passing, it is necessary to say that since planned development of the national economy means regular and conscious maintenance of proportioned development, it itself contains proportioned development; yet, proportioned development does not necessarily mean planned development. Therefore, I think it is not accurate to juxtapose planned and proportioned as the law of planned and proportioned development of the national economy, which should be replaced by such a generalization as the law of planned development of the national economy.

The Movement of Prices Centering on Value and the Planning of Socialist Economy

Does the law of value assert itself through the movement of prices centering on value in socialist society? A negative attitude is assumed by those comrades who do not recognize that the law of value still plays its role in regulating social production in socialist society. They used to say that the capitalist society maintains and restores balance between supply and demand through the rise and fall of prices centering on value and that balance between production and need in socialist society is maintained by state plans and cannot be dependent on the movement of prices centering on value. It seems that the movement of prices centering on value is incompatible with the socialist planned economy. From this standpoint the following argument is advanced concerning the relationship between commodity supply-demand and price: "Since our means of production are distributed according to state plans, their prices may be free from the effects of the law of supply and demand. Although our means of subsistence are still distributed in the form of commodities, the commodities supplied by the state must be subordinate to the planned prices fixed by the state; consequently, their prices may also be free from the effects of the law of supply and demand." (Xue Muqiao: "The Law of Value and Our Price Policy," HONKQI No 7-8, 1963) We might as well analyze this argument and see whether it is well grounded.

This argument presupposes that state plans can insure balance between social production and social need. However, practice has proven that state plans as ideologies cannot automatically insure balance between social production and social need. This is due not only to the difficulties in computing techniques caused by social products which are different in thousands of ways and by ever changing social needs but also mainly due to the relations of production themselves.

In a socialist society, the laborers are on an equal position when utilizing the means of production owned by the whole society to carry out production. In this sense, society uses the labor of each person directly as a part of the total social labor. However, on the other hand, productive forces have not developed to such an extent that labor has become the prime want of life. The personal survival and development of a laborer are still dependent upon the labor he performs himself utilizing the means of production owned by society. This will depend not only on the share he adds to the total labor of the enterprise in which he is but also on the share the total labor of the enterprise has in the total social labor. Such labor is obviously still not labor consciously performed without social supervision and entirely in the communal interests of the society. In this sense, a worker's personal labor is still not direct social labor in the whole sphere of society. Although only labor and the exchange of labor exist between laborers as members of society and no production and exchange of products exist between them, an enterprise must exchange products with

other enterprises before the total labor of all its laborers can be recognized by society. Thus, the economic connections between enterprises cannot be but relations between relatively independent commodity producers. Needless to say, the products turned out by the economic organizations owned by the collective bear a commodity character. Therefore, a socialist planned economy is still a planned economy under conditions of commodity economy.

The object of socialist production is to satisfy social needs. In the financial analysis, it is to satisfy the ever growing needs of the material and cultural life of 900 million people. Not only should the production of the means of subsistence be subordinate to these needs but also the production of the means of production should be arranged on this basis. Today, satisfying the personal needs of 900 million people cannot but depend on their personal income. This is expressed mainly in a monetary form on the market. Such are needs backed by the ability to pay. But demand is not only dependent on personal monetary income. It is also directly connected with the prices of commodities. According to the law of value, where value is determined, supply and demand will regulate prices, that is, prices will deviate from value. On the other hand, the rise and fall of prices will regulate the increase and decrease of demand in reverse direction. It is self-evident that changes in personal demands for consumer goods will inevitably give rise to changes in demand for the production of consumer goods and will consequently give rise to changes in the entire scope of social demand. To proclaim "prices may be free from the effects of the law of supply and demand" is tantamount to proclaiming that the law of value ceases to assert itself under a commodity economy. Such "prices" will certainly prevent the demand of society from being truthfully reflected. Under such circumstances, how can we insure that social production satisfies social needs? On what basis can state plans maintain balance between social production and social needs?

Price is the expression of the law of value. The law of value governs the movement of price. Determining price is determined by the compatibility between the quantity of production and the quantity of demand for the same product, with both the quantity of production and the quantity of demand being conditioned by the social division of labor. Within this limit, under what conditions of production does the labor-time necessary to produce this product determine its price? Does it determine the price under average conditions or poor conditions? In other words, price is determined by the larger proportion of products produced under one of the above conditions in total output volume. Inasmuch as the quantity of production is compatible with the quantity of need, value can be realized according to its own magnitude. Thus the monetary expression of value, namely price, will correspond to value. Therefore, the correspondence of price with value presupposes balance between supply and demand. When balance between supply and demand is upset, price will sooner or later change. What will be the consequences of attempting to prevent these changes by artificial means?

We might briefly examine the circumstances in which supply exceeds demand and the circumstances in which supply falls short of demand.

First are the circumstances in which supply exceeds demand. When the quantity of production of a product exceeds the quantity of social demand for it at the time then "too much social labor has been expended on this particular line, even though only the labor-time necessary under the prevailing conditions has been incorporated in its total production; in other words, a portion of this product is useless." (Marx: "Capital," Vol 3, p 317) Here "useless" is relative to the existing demand. There may be two circumstances in which it becomes useless. 1) The product cannot be sold even if its price is lowered. That is to say, the labor expended to produce it is simply wasted. 2) Demand for it is enlarged after its price is lowered, thereby making it salable. This signifies that society recognizes as socially necessary only the labor-time that is less than the "labor time necessary for producing this total product" under the original conditions. As long as these two circumstances have not been caused by accidental factors that will disappear in the twinkling of an eye, they will inevitably compel this production department to readjust its production conditions, which means either universally lowering its expenditure of labor for reproduction or withdrawing from production that part of production with the poorest conditions. Supply and demand will be brought to a new balance either by enlarging demand and cutting down production, or by enlarging production and cutting down production simultaneously. However, if the proposition, "price may be free from the effects of the law of supply and demand," is accepted, manmade monopoly will have to be depended upon for maintaining at the original high level the price of the product supply which exceeds demand. In this way, the social labor expended by the enterprise will seem to be "recognized" by society and, consequently, the enterprise may proceed with reproduction according to its original production conditions. However, in reality society does not recognize that part of excessive social labor. The result is that the "useless" products representing that part of excessive social labor cannot be entered into personal consumption or production consumption and will only pile up in the warehouse. Perhaps state plans may restrict production of such products. The point is that all products turned out by enterprises can be sold to the state, without their prices being lowered. Under these circumstances, what is the economic driving force that will compel those enterprises to change their production conditions? Particularly in the case of "goods which are in full or excessive supply," actual output often exceeds that planned by the state, with the result being increasingly piled up goods in warehouses. Do we not often witness this phenomenon? It is self-evident that part of the social labor for producing these goods is wasted at the cost of taking away part of the social labor necessary for producing other goods. In short, it is society that suffers. To guard against suffering continuously, society is obliged in the end to lower the prices of these goods. If one's action does not respect the law of value, the law of value will eventually rectify one's action coercively.

Let us now examine the circumstances under which supply falls short of demand: The output of a product is lower than the quantity of social demand for the product. That is to say, part of the social labor necessary for producing the total quantity of this product that is compatible with this quantity of demand is taken away by other departments and, consequently, is not insured. In the circumstances, according to the law of value the price of this product will go up. The rise in price will, on the one hand, check demand and, on the other, will enable this production department to get compensation even for the social labor expended to produce this product under poor conditions, thereby making it possible to enlarge production. A combination of these two factors will gradually make supply and demand balance. Yet, according to the proposition, "Price may be free from the effects of the law of supply and demand," manmade monopoly is to be depended upon to keep the price of this product at its original low level. If so, this production department will not be compensated for the social labor necessary for producing this produce under poor conditions of production or even under better than average conditions. Perhaps state plans may stipulate that this department must increase production. But since the more it produces the more it incurs losses, what is the economic dynamic that can move it forward to fulfill and overfulfill by every conceivable means the production-increase tasks set by state plans? It is difficult for production to go up, particularly in the case of goods "which are in short supply." Do we not often witness this phenomenon too? When production cannot go up but is forced to do so, coercion and commandism appear. This results in production conditions of this production department becoming poorer and poorer compared with other departments. In the end, society is obliged to raise the price of its product so that this production department will not remain backward forever. Is this not another instance where the law of value coercively rectifies one's action?

In short, when supply exceeds demand or when supply falls short of demand, price will not long remain unchanged. The longer prices are frozen by artificial means the more difficult it will be to solve the problems of imbalance between various departments of production. Moreover, eventually prices will still have to be changed.

At this point, it might be asked: How is it that social production is invariably marked by imbalance in the capitalist society in which prices fluctuate constantly along with changes in the relationship between supply and demand?

Here a distinction must be drawn between two questions. 1) Will the rise and fall of prices along with changes in the relationship between supply and demand urge the various production departments to readjust the proportionate relations and achieve a balance between supply and demand? 2) How will this readjustment be carried out and how will balance between supply and demand be achieved? In other words, does society readjust the proportionate relations according to plan and on the basis of scientific forecasts

to achieve a balance between supply and demand, or is this balance merely "achieved as an average that acts blindly?" ("Marx to L. Kugelmann," "Selected Works of Marx and Engels," Vol 4, p 369) It goes without saying that this will depend primarily on economic conditions.

In a society in which isolated private producers carry out production for the market unknown to them, each producer naturally can only allow himself to be ordered about by the market conditions that fluctuate frequently and spontaneously. When supply of a certain commodity falls short of demand, its price rises at once, and many people vie with each other in switching to the production of this commodity. Soon production will exceed the saturation point, and supply will exceed demand. Price will fall at once and many people who produce this commodity will switch to production of other commodities. Thereupon, the phenomenon of supply falling short of demand will appear again. This moves in cycles and repeats itself. Balance between supply and demand in this society can only be "balance between 'the average quantities established merely through numerous fluctuations that occur frequently.'" ("Uncritical Criticism," "Collected Works of Lenin," Vol 3, p 666) It is precisely because of their isolation that the private producers have to submit themselves to control by the spontaneous force of the market and to act blindly. They are unable to estimate the dimension of demand of the whole society and are powerless to grasp the dimension of supply by the whole society. Socialist producers are producers united on the basis of production socialization and communal ownership of the means of production. Their economic interests depend not only on the state of production operations of their own units but also on the development of social production as a whole. For this reason, they may coordinate their economic activities within the limit of society and avoid the spontaneous fluctuations of supply and demand due to accidental factors in a locality. Relying on the forecast of trend changes in the nationwide supply-demand relationship, society may guide the production and marketing activities of enterprises by dint of price policy. At the same time, as independent business accounting units, enterprises should enjoy the right to keep prices fluid within a given range. This fluidity of prices will help expose the contradictions in economic life promptly and provide society with dependable information for forecasting trends in the supply-demand relationship and correcting the errors of forecasting at the right time. This will minimize or avoid subjectivist interference with the price policy and facilitate the achievement of a balance between social production and social need.

In fact, even in the capitalist society, production is regulated in a much different way at its monopoly stage compared with its state of free competition. As far back as 1880, Engels said that a trust was "a federation formed by big producers of the same branch of industry in a country for the purpose of regulating production." They determine the total output that should be turned out, distribute it among them and enforce predetermined selling prices." (Engels: "Socialism From Utopian to Science," "Selected

Works of Marx and Engels, Vol 3, p 435) In 1891, Engels pointed out: "Capitalist production managed by joint-stock companies is no longer private production but production for making profits by many people joining together. When we pass from joint-stock companies to trusts which assume control over and monopolize whole branches of industry, not only does private production cease, but planlessness sets in." (Engels: "Critique of the 1891 Draft Programme of the Social Democratic Party," "Collected Works of Marx and Engels," Vol 22, p 270) In past decades, along with the rapid development of state monopoly capitalism, this planning went beyond the limit of a department. To be sure, it is still planning within a certain limit and to a certain degree. It has not eliminated, nor can it eliminate, the anarchy in the whole society, because it is still under capitalist conditions, and sharp antagonism exists in the interests between the monopoly capital groups and between monopoly enterprises and nonmonopoly ones. In his "The State and Revolution" in 1917, Lenin specially quoted the above passage from Engels' works, refuting the bourgeois reformist trend of using the trust planning as an excuse for asserting that monopoly capitalism or state monopoly capitalism is no longer capitalism. Then he wrote: "The trusts, of course, never produced, do not now produce and cannot produce complete planning. However much they do plan, however much the capitalist magnates calculate in advance the volume of production on a national and even on an international scale, and however much they systematically regulate it, we still remain under capitalism--capitalism in its new state, it is true, but still, undoubtedly, capitalism." ("The State and Revolution," "Selected Works of Lenin," Vol 3, p 229) Thus, capitalism is not compatible with incomplete planning, that is, "regulating production according to plan" within a certain limit and to a certain degree. If we, as suggested by some of our economic treatises, take planned regulation of production as the valid reason for denying the regulating role of the law of value, should we not also say here that the law of value has ceased partially to play its part in regulating capitalist production? Yet, as we note, these treatises have never expressed the slightest doubt that the law of value regulates capitalist production. Here, once again we expose the fact that theoretically these treatises have insurmountable contradictions in dwelling on the regulating role played by the law of value.

A socialist economy can produce planning for the whole society in place of anarchy. But this socialist economy planning does not signify that the role of the market may be overlooked. As mentioned previously, our socialist economy is still such that it cannot but be a commodity economy. "The market is but a manifestation of the social division of labor in commodity economy." Where there is a social division of labor and commodity production there is a 'market.'" ("The So-called Market Question," "Collected Works of Lenin," Vol 1, p 86, 89) Socialist communal ownership makes it possible to forecast with comparative correctness the trend of nationwide changes in market supply and demand over a comparatively long time, thereby making it possible to draw up a correct price policy and economic plans. But it has not provided conditions for subjectively fixing prices regardless

of the supply-demand relationship without leading to a disproportionate relationship. Today, our economic planning is still at a low level. On the one hand, it is limited by objective conditions, that is, by a low degree of production socialization and communal ownership. On the other, it is limited by subjective conditions, that is, by much blindness in our knowledge of economic laws and the law of value. For this reason, if we want to improve the degree of planning, we cannot do so by denying the mechanism of the market and restricting the development of the commodity economy. On the contrary, we must vigorously develop the commodity economy. (Ours is still a country in which commodity production has not been developed. The commodity rate of state farm products is only 30 percent. In the case of the people's communes owned by the collective, the commodity rate is even lower.) We must do so to raise the productive forces and the socialization of production. We must deepen our knowledge of economic laws in practice and learn how to apply them proficiently.

Inasmuch as mechanism of the market exists in a socialist planned economy, prices will not long remain unchanged. This is not only because, as mentioned above, changes in the supply-demand relationship will sooner or later give rise to changes in prices but also because value is constantly changing. The base of price is value. "Value is not constituted by the time necessary to separately produce a certain product; instead, it is proportionate to the quantity of all other products that can be produced in the same time." (Marx: "The Poverty of Philosophy," "Collected Works of Marx and Engels," Vol 4, p 121, 102, 88) That is to say, value is relative from beginning to end. "The relative value of products is determined by the comparative quantity of labor used to produce each product. Value is the monetary expression of the relative value of products." (Ibid.)

The magnitude of value changes in reverse ratio to labor productivity. Assuming that, in terms of labor productivity, various products produced by society change in the same direction and to the same degree, the socially necessary labor embodied in various products and the labor productivity will change in reverse direction to the same degree. Thus, "The comparative quantity of labor used for producing each kind of products" will not change. Likewise, the relative value of products will not change. Leaving aside other factors affecting prices, the ratios of various product prices may remain unchanged in such circumstances.

However, changes in the labor productivity of producing various kinds of products are not uniform. The changes are not only different in degree but even reversed in direction. Thus, "the comparative magnitude of labor used for producing each kind of product" will undergo changes, and the relative value of products will change along with it. This being so, as far as the regulation of prices by value is concerned, the ratios of various product prices cannot remain unchanged; prices will have to be raised in some cases and lowered in others. Otherwise, prices will be unable to reflect changes in value and will conceal the contradictions between various

branches of the national economy in their development. This will be detrimental to the prompt readjustment of the proportionate relations between various branches.

We are speaking of the ratios of various product prices or their relative prices. Changes in the relative prices of products, whether they are caused by change of value or by changes in the supply-demand relationship, determine neither the necessity that the price level of the social products as a whole will rise, nor the necessity that the price level of the social products as a whole will fall. It is an untenable argument that the inevitability of the continuous improvements in social productivity can prove the "regularity" of price reductions in the socialist society. It is untenable because its starting point is "absolute value," but there is no such thing as absolute value. Similarly, the view that price changes are bound to cause inflation and that prices should remain unchanged is groundless. Inflation as a result of circulating paper currency is not the inevitable result of applying the law of value to regulate prices, thereby regulating social production. Its cause should be examined from the way the law of paper currency circulation asserts itself. In the socialist society, the key to avoiding inflation lies in achieving a comprehensive balance between finance, credit loans and goods.

Competition, Production Socialization and Unified Plans of Society

Competition is an important mechanism component of the market. However, for a long time, competition and the socialist planned economy have been regarded as antagonistic to each other. When one recognizes that commodity production and the law of value exist in a socialist planned economy, one always tries to forbid competition. Thus, various arguments and measures are put forward to restrict commodity production and its law.

In fact, to forbid competition is to prevent the law of value from asserting itself in commodity production. In fact, forbidding competition is the same as preventing the law of value that governs commodity production from functioning, because the law which says the social labor needed to produce a commodity determines the value of the commodity, implying competition in itself. If commodities are to be exchanged according to value, two conditions must exist: 1) The different values of commodities that are produced by the same department, are of the same kind and of nearly the same quality must be averaged into a social value; and 2) The total quantity of social labor expended on the total quantity of this product must be compatible with the quantity of social need for this commodity, that is with the quantity of social need backed by the ability to pay. Realization of either of these two conditions is inseparable from competition. Marx said: "Competition realizes the law that the relative value of a product is determined by the labor-time necessary for its production." It must not be overlooked that the value of something is not determined by the time but rather the minimum taken to produce it, which is determined by competition."

(Marx: "The Poverty of Philosophy," "Collected Works of Marx and Engels," Vol 4, p 106, 107) Engels said with curt finality: "In a society of commodity producers who carry out exchange, if one wants to establish the theory that labor-time determines value but forbids competition to establish this decision on value by bringing pressure to bear on prices, that is, generally speaking, by suing the only feasible means, it merely proves that at least in this respect one assumes the customary utopian attitude of despising economic laws." (Engels: "Marx and Rodbertus," "Collected Works of Marx and Engels," Vol 21, p 215)

The idea of regarding competition and the socialist planned economy as antagonistic to each other actually reduces the socialist planned economy to a monopoly. According to this idea, the basic feature of a socialist economy is purely "centralization and unity." This "centralization and unity" is neither centralization based on democracy nor unity based on independent operation of enterprises. It means monopolizing everything and tying the hands and feet of enterprises. This concept regards competition as something absolutely bad and monopoly as something absolute good. As we know, both competition and monopoly have their histories and always develop while opposing and uniting with each other. Those comrades, who think of competition and capitalism as being equal, often forget that there is feudal monopoly. The result is that they unwittingly put blind faith in feudal monopoly, out of groundless fear that competition and capitalism are indivisible. What an irony!

Marx said: "Modern monopoly is engendered by free competition. But as we know, competition is engendered by feudal monopoly. Monopoly engenders competition, competition engenders monopoly." ("The Poverty of Philosophy," "Collected Works of Marx and Engels," Vol 4, p 177-178) It may be said that competition and monopoly rise and fall together and that when competition no longer exists in society, monopoly will become an exhibit in the museum of history.

Competition marks the relationship between commodity producers who produce for a common market. It is not a product of capitalist economy but rather a product of a commodity economy. Therefore, as long as commodity production exists, competition will exist. However, just as the connections between a commodity economy and different modes of production vary according to the variety of the modes of production, different kinds of competition also exist among different commodity economies.

Competition is a special form of emulation launched by commodity producers for winning favorable purchasing and marketing positions on the market. Marx said: "Competition is not industrial emulation but commercial emulation. In our era, industrial competition exists only for the sake of commerce." (Ibid., p 173) "Industrial emulations" among capitalist enterprises in reforming techniques and management, improving product quality, renewing product variety and lowering production costs are aimed at defeating competitors and striving for maximum profits. Competition between

socialist enterprise is, of course, also aimed at striving for favorable purchasing and marketing positions on the market and seeing that enterprises have their own special local interests to look after. But these local interests are only interest differences based on the identity of fundamental social interests. Consequently, competition between socialist enterprises is competition regulated according to plan and through the coordination of such enterprises within the sphere of society. This competition is subordinate to the aim of making production suit social need better. Competition will urge them to innovate their production techniques, improve their operation and management and insure high yield, better quality, low rate of consumption and marketability of products. For this reason, under the socialist system, "industrial emulation" will not "exist only for the sake of commerce" as under the capitalist system. On the contrary, competition, that is "commercial emulation," will be the condition for "industrial emulation." Competition will promptly bring to light the contradiction between advanced enterprises and backward ones and eliminate those enterprises whose products are inferior in quality, unsuited to needs and have a greater rate of consumption and a high cost of production and which incur heavy losses. With these enterprises eliminated, available raw and processed materials, fuels, electric power and labor power will be supplied to these enterprises whose economic effects are greater. In addition, production of the products urgently needed by the national economy will be insured. This will undoubtedly be a good thing for the development of the socialist economy.

The question of the mechanism of the market and competition has not just been brought forward today. As far back as 1956 when a socialist transformation of private industry and commerce had just scored the basic victory, Comrade Chen Yun pointed out in his speech at the first session of the first NPC and at the eighth party congress: The methods adopted by commercial departments--placing orders with factories for processing materials and supplying manufactured goods and enforcing state monopoly for purchase and marketing--and the method of distributing commodities from top to bottom within the commercial department all showed their defects though the methods were necessary for the transformation of private industry and commerce. For example, it was not easy to fix purchasing prices accurately; the quantities of materials to be processed were large at one time and small at another; raw materials were not supplied properly; the quantity of certain commodities declined, their variety decreased and their color and design were not suited to market demand; many factories were not enthusiastic about lowering their production costs; and agricultural and subsidiary products were procured exclusively by local state commercial organizations or supply-market cooperatives. (When they paid no attention to procurement or when the purchasing prices were too low, production of agricultural and subsidiary products declined.) In view of this, Comrade Chen Yun proposed that these methods be changed according to the new foundation of the socialist economy following the transformation of private industry and commerce, and that specialized industrial companies organize production and marketing on behalf of factories. Except for a few

commodities like cotton yarn, cloth, coal and sugar which had a bearing on the national economy and people's livelihood, were marked by simple specifications and which might continuously be left to state monopoly for purchase and marketing, articles of everyday use and handicraft products were to be chosen by the commercial department from factories. The remaining commodities might be marketed by the factories themselves or consigned to the commercial department for marketing on their behalf. Within the system of state commercial organizations and the supply-marketing cooperatives, a changeover to choosing the goods from bottom upward was to be made. Stores at the lower level might choose goods from any wholesale organization in the country or chose goods directly from factories. Commodities from various parts of the country might enter into any locality for sale, and no locality within China could adopt the method of blocking the passage of goods to other localities. Except for certain raw materials which fell short of demand and which were to be distributed by the state, all the raw materials needed by factories were to be chosen by the factories themselves. The prices for purchasing the commodities might oscillate within the range approved by the state. With regard to the commodities chosen for purchase, state plans were to merely provide factories with reference indices, and the factories concerned were to fix their own indices in light of market conditions and carry on production without being bound by the state reference indices. As for those factories that fell behind in production, the state, in planning arrangements, could give them an opportunity to improve production and push the sale of their commodities. But those that could not stand on their own feet despite repeated support were to be eliminated and reorganized.

Subsequently, these proposals were not upheld and implemented. Looking back on the positive and negative experiences of the socialist economic development at home and abroad over the past decades, it now appears to us that the orientation of these proposals was correct. Their starting point was to give enterprises the position of an independent commodity producer under a planned social regulation. The producers would thus be placed in a position of regularly understanding the need of consumers and of accepting the supervision of consumers at all times so their products would be salable and correct. This basic spirit was not only applicable to those products involved in the proposals at that time but was of universal significance because it corresponded with the inherent quality of a socialist planned economy in the form of a commodity economy. Besides consumer goods, distribution of the means of production could also be switched to the orbit of supply and marketing based on the commercial principle when conditions permitted.

In his "On Ten Major Relations," Comrade Mao Zedong brought up the "question of independence of factories under unified leadership," saying: "What are the appropriate rights and interests of the central authorities, provinces, municipalities and factories? Our experience is not enough and we have to study the question. In principle, unity and independence are the unity of opposites. Both unity and independence are needed. All production units should have independence connected with unity before they

can develop more vigorously." ("On Ten Major Relations," "Selected Works of Mao Zedong," Vol 5, p 273)

What we are discussing is the position occupied and the role played by the market in regulating social production according to plan in the socialist society. This question is essentially one of how to integrate the unity of social economy with the independence of enterprise operation under the socialist system. It is a fundamental question of the socialist relations of production. That socialist enterprises have definite rights to act on their own with regard to production arrangement, use of funds, control of labor power, procurement of materials and goods, marketing of products, price changes, regeneration of equipment and distribution of income is entirely necessary for enterprises as relatively independent commodity producers in the socialist society. But this position of socialist enterprises as commodity producers is obviously different from that of small commodity producers and also different from that of capitalist commodity producers. It is different because its base is socialist communal ownership. Here the enterprises use the means of production owned by society to carry on production and operation. For this reason, in making policy decisions in their own interests and in light of market conditions, the enterprises should be guided by the unified plans of society. On the one hand, this will bring the local interests of the enterprises to the orbit of the whole interests of society. On the other, this will enable the enterprises to obtain comprehensive information on production and needs, information that is beyond their reach. In this way, they can work out practicable policy decisions and avoid the random nature of production operations. To be sure, these unified plans of society must conform with objective economic laws. To achieve this, the unified plans of society will have to be tested and rectified by market mechanisms. In addition, other conditions must be fulfilled.

It should be noted that inasmuch as the market exists there will be contradiction between its spontaneity and planning of the socialist economy. In consideration of their local interests, socialist enterprises as commodity producers may work out policy decisions that do not conform with the whole interests of a socialist economy. Besides, as things stand in our country, since many socialist enterprises are still scattered in terms of economic (not administrative) organization, it is difficult for society to objectively give them planned guidance since they suffer from great limitations in grasping technical progress and supply-demand conditions. This being so, their forecast of market conditions and their production arrangements will inevitably be marked by blindness. At the same time, in dealing with the socialist society market in the above passage of this article, we merely examined the socialist commodity economy as the main body. As a matter of fact, apart from the socialist commodity economy a small commodity economy exists as a supplement to the socialist economy as does a small part of a capitalist commodity economy that enters into the market covertly and overtly. This being so, spontaneous capitalist

tendencies the spontaneous advance of small producers are bound to occur from time to time. These spontaneous forces will not only become active in the vacuum left by many enterprises that are economically scattered but will often exercise a corrosive influence over the socialist enterprises. Therefore, in addition to other necessary administrative measures, particularly economic ones, the fundamental way of overcoming the spontaneous forces is to increase the socialization of production on the basis of developing the productive forces of society. To increase the degree of production socialization is to reinforce the material foundation of national economic planning.

During the current discussion on the economic system question, opinions are divided over the question of whether the main problem now is overcentralization or overdecentralization. In fact, it is partially correct to say that the main problem is overcentralization and overdecentralization. Viewed from the administrative management of economic undertakings, it is indeed overlycentralized. Viewed from the organization of economic connections, it is indeed overly decentralized. Economic decentralization is expressed by the fact that economic undertakings are not organized according to the internal connections of economy. Many enterprises are connected by administrative means. Economically, they are isolated from one another and are kept at arm's length from one another. Over the years, this economic decentralization is kept within bounds by centralized administrative management. As soon as centralized administrative management is slackened, the spontaneity of a decentralized economy will be exposed forthwith. This is the reason why "decentralization is followed by disorder."

After the October revolution, Lenin set Russia the task of "socializing production in reality." ("The Present Task of the Soviet State Power," "Selected Works of Lenin," Vol 3, p 495) This directive is also of momentous realistic significance to the present development of our socialist economy. Reform of the economic system is precisely aimed at actually socializing production. Therefore, to make preparations for this, united enterprises must be organized. United enterprises are independent business accounting units built on the foundation of specialization and cooperation. They must break down the barriers of administrative departments, administrative divisions and trades. On the principle of economic rationality, they must economically and organically organize the production units and supply-marketing units directly concerned in production operation, thereby unifying the control of manpower, financial and material resources, and production, supply and marketing. Relationship of specialized divisions of labor and cooperation should be established among the units under the united enterprises. Of course, increasing the socialization of production does not amount to organizing all enterprises into large united enterprises. From the economic point of view, it is not possible and necessary to merge a number of medium and small enterprises into united enterprises. But with groups of large united enterprises as the backbone, it will be easy to connect economically a number of small and medium enterprises

that are still independent. As specialized enterprises, medium and small enterprises may establish cooperative relations with the united enterprises concerned and accept the guidance and help from the united enterprises economically, technically and in management, serving as satellite enterprises revolving round the united enterprises. A contract system determining economic responsibility in clear terms must be instituted to regulate the regular economic connections between various units of production operation within a united enterprise, between united enterprises and between united enterprises on the one hand and small and medium enterprises cooperating with them on the other. These economic contracts which dovetail production, supply and marketing may serve as the base of a planned economy. In this way, the unified plans of society may be drawn up mainly by the united enterprises from the bottom up through coordination. The production and marketing activities of small and medium enterprises as satellite enterprises may be brought to the orbit of the united plans of society through the fixed cooperative relations between the united enterprises and them.

In this way, the state may shake off a lot of tedious administrative affairs and direct the economic activities of enterprises through economic policies and economic legislation that are compatible with planned targets.

Concerning the focal point of national economic planning work, some comrades propose that it should rest on studying and formulating long-range plans, particularly interim plans. I think this suggestion is correct. Drawing up long-range plans and interim plans that are relatively steady and scientifically based is the necessary condition for regulating social production according to plans in the socialist society. If plans are arranged provisionally each year and if annual plans are frequently changed in the year, the normal cooperative relations between enterprises and the normal order of capital construction will either inevitably be disturbed or the plans themselves will not be carried through. Consequently, the objective of regulating social production according to plan cannot really be achieved.

Banks are nationwide bookkeeping organizations for regulating social production according to plan in the socialist society. Through the issuance and withdrawal of currency and through loans, account settlements and the business of receiving and paying out cash and foreign exchange, the banks of socialist countries are in a position to grasp the changes in each sphere of the national economy regularly and promptly. Thus, the banks can provide dependable data for drawing up national economic plans. Moreover, in the sphere of fund activity, they can directly give guidance and help the enterprises and supervise their implementation of national economic plans. In 1918 Lenin pointed out in his "Outline of Bank Policy": "Bank policy is not limited to the nationalization of banks. It should gradually but ceaselessly turn the banks into unified accounting organizations and regulating organizations to regulate the economic life of the whole nation which is organized in the socialist way." ("Outline of the

Bank Policy," "Collected Works of Lenin," Vol 27, p 204) Fully utilizing the functions of the banks as "unified accounting organizations and regulating organizations" is an indispensable condition for overcoming the spontaneous forces of the market and guiding the action mechanism of the market to the orbit of regulating social production according to plan in the socialist society. If the banks are really enabled to "regulate the economic life organized in the socialist way," it will be necessary to change capital construction investments from financial allocations to bank loans and to provide full credit loans for revolving funds. In this way, banks can exercise unified control over management of capital construction investments and revolving funds. At the same time, it is imperative to insure that the banks have the right to act on their own in their business activities within the limit of their functions and power. We must resolutely get rid of the practice of withdrawing money from banks on the strength of an order endorsed by the party or government chief at any level. Only thus can "the unified and incomparably giant state bank with its offices in various villages and factories" become "a back-bone of the socialist society" in the true sense of Lenin's words. ("Can the Bolsheviks Maintain State Power?" "Collected Works of Lenin," Vol 26, p 87-88)

Reform of the economic system is a complicated problem. It is necessary to study it seriously and to carry it out with circumspection. On the basis of thorough investigation and research, we should determine the strategic aim of reform and the corresponding steps of action and make everything pass through experiments. The object of this article is to envisage a plan of reform. It merely attempts to put forward some views from the theoretical standpoint on how to recognize and apply the law of value and mechanism of the market in a socialist planned economy. I bring these views to our comrades for reference purposes in their study of the question of the economic system and look forward to their comments.

CSO: 4006

ECONOMIC PLANNING

'NANFANG RIBAO' COMMENTS ON ECONOMIC ISSUES

Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 24 Aug 79 HK

[Report on 25 August NANFANG RIBAO editorial: "Emancipate the Mind and Liven Up the Economy"]

[Excerpts] The editorial says: The provincial conference on increasing production and practicing economy in industry and communications has victoriously concluded. This meeting was successful, because the provincial CCP Committee leadership took the lead in vigorously grasping economic work; because full discussions were held by emancipating the mind and bringing democracy into play, centering on the issues of expanding the self-management rights of enterprises and livening up the economy; and because people refrain from formalism and stereotyped speech, solved actual problems in a down-to-earth way, and basically formulated the tasks of increasing production and practicing economy in the final 4 months of the year. However, all this is only a new start. Whether the province's economic work can truly prance ahead and achieve a great breakthrough depends on the common efforts of the whole party from top to bottom. A very important point here is that, under party leadership, we must emancipate our minds, dare to thrust into forbidden areas, dare to embark on new roads, apply the principle of taking practice as the sole criterion for testing truth to weigh up our economic management systems, principles and policies, and uphold the correct things and restructure the incorrect things.

The reason why the experiences of Qingyuan County attracted universal interest at this meeting and became a focal point of discussion was because this county has thrust into a forbidden area in the issue of expanding the self-management rights of the enterprises, and opened up a point of breakthrough. Although their experiences are not yet perfect, their spirit of bold practice and daring to create new things is extremely valuable. We must precisely advocate this kind of zeal in the current work of restructuring the economic management system. Naturally, in the course of this restructuring, we must persistently proceed from reality, seek truth from facts, and advance with steady pace. We cannot rush headlong into mass action.

What are the forbidden areas we should thrust into in the current economic management system? The most urgent ones are the issues of expanding the self-management rights of enterprises and livening up production. For many years, enterprises have lacked the slightest self-management rights in respect of manpower, finances, materials, production, supply and marketing, due to excessive emphasis on centralized and unified management. This situation has tied up the development of the productive forces. However, some comrades hold that this expresses the superiority of the socialist system. Actually, this is a complete misunderstanding. Without doubt, planned economy is an expression of the superiority of the socialist system. However, state plans cannot be all-embracing; it is essential to bring to play the role of market regulation, under the guidance of the state plans. At this conference, the provincial CCP Committee decided to follow the spirit of the Chengdu conference and carry out trial-point work in expanding the self-management rights of enterprises, to give the enterprises some rights with regard to finances, material and manpower, so as to better combine the interests of the state, the enterprise and the individual. In addition, some flexible measures have also been adopted in production, supply and marketing, to liven up the channels of production and circulation.

The retained profit of the enterprises and the bonuses for the workers are both based on the development of production. Increased profit retained in the enterprises and increased bonuses for the workers show that production has greatly developed, and the amount of profit handed over to the state is also bound to show a great increase, while more abundant goods will be available in the market. This is precisely a case of "when the water rises, the boat rises with it" and completely conforms to socialist principles. We must fully mobilize all positive factors in this way and let the state and the people become rich. Of course, in saying this we are certainly not advocating the indiscriminate issue of bonuses and the distribution of all the profit retained by the enterprises; it is necessary to take simultaneous account of the interests of the state, the enterprise and the individual. The profit retained by the enterprises must first be used for expanded reproduction and for the workers' welfare, and then for the issue of individual bonuses. This is beneficial for the state and the enterprise and also has still greater advantages for the individual. When the reasoning is clearly explained, the workers will be happy to accept it.

The editorial says: We must also advocate some competition between enterprises and make arrangements, provide support and supply materials according to priority, applying this "three priority" method to make a success of industrial readjustment. Socialist competition is competition in which fundamental interests are identical, and is based on the public ownership system. Actually, it is also emulation. Competition helps to stimulate socialist enterprises to improve production technology and management and to achieve high output and quality and lower input consumption. If every unit is treated the same whether it works well or badly, our economic construction will come to a halt and even go into reverse. In particular, as

a result of many years of interference and sabotage by Lin Biao and the gang of four, the economy is unbalanced and supplies of raw material and motive power are insufficient, while the front is stretched very long. This requires all the more that we carry out readjustment in accordance with the principle of exercising priority in three respects, so that progressive enterprises can enjoy priority in development, while backward enterprises must transform themselves and catch up in the course of competition if they want to stand on their own feet and avoid elimination.

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ECONOMIC PLANNING

FUJIAN HOLDS INDUSTRY, COMMUNICATIONS WORK CONFERENCE

Fuzhou Fujian Provincial Service in Mandarin 0300 GMT 30 Aug 79 HK

[Summary] Recently, the Fujian Provincial Revolutionary Committee held a work conference in Fuzhou on increasing production and practicing economy in industry and communications throughout the province. The participants discussed and implemented the plans on increasing production in our province this year and demanded that the industry and communication front increase the total value of industrial output by 11.7 percent over 1978. "From January to July, the total value of industrial output increased by 10.3 percent over the corresponding period of last year. The various economic and technical quotas have also increased by varying degrees."

The participants held: "So long as we advance from victory to victory, and work hard for 4 months, we can achieve the plans of increasing the whole year's output by 11.7 percent. Promoting the industrial products of No 1 Light Industry and No 2 Light Industry bureaus is the key for fulfilling the plans on increasing production this year. It is necessary to relentlessly grasp the production of raw materials and the weak links in coal, electricity and transport, make arrangements for the production quotas of steel, rolled steel, coal, electricity, cement, timber, sulphuric acid and electronics and establish the ideology of quality first, particularly in the light and handicraft industry so as to join the international markets and increase exports for foreign trade. It is also necessary to effectively launch work on economy. Factories, mines and other enterprises must formulate plans on economy and mobilize the masses to launch 'save every copper' activities."

Wu Hongxiang, secretary of the Fujian Provincial CCP Committee and vice chairman of the provincial revolutionary committee, put forward four demands to the leading comrades at all levels in order to fulfill the plans of increasing production and practicing economy:

"1. It is necessary to truly shift the focus of work to modernization in ideology and action, place the leadership's main energy on production and construction and seriously grasp the movement to increase production and practice economy. 2. It is necessary to give free rein to the masses,

give play to the role of trade unions, CYL and [words indistinct] organizations and effectively strengthen political and ideological work. 3. The economic departments, particularly commerce, foreign trade, finance and material, must enliven economic work with united efforts and jointly grasp the movement to increase production and practice economy." It is also necessary to make use of stockpiled material. 4. It is necessary to establish and put on a sound basis all kinds of economic management organs and to give full play to the functional role of the organs."

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ECONOMIC PLANNING

HUNAN COMMENTATOR LOOKS AT IMPROVING PRODUCT QUALITY

Quality Not Stressed Enough

Changsha Hunan Provincial Service in Mandarin 1100 GMT 29 Aug 79 HK

[Station commentator's article: "Product Quality Is the Life of Enterprises"]

[Excerpts] Facts have vividly shown that product quality is the life of our enterprises and the variety of colors and designs is the future of our enterprises. With the promotion of product quality and the variety of colors and designs, our enterprises can promote their output at every step. However, up to now a few enterprises still fail to have a deep understanding of this issue. They only seek a passable product quality and do not seek to perfect their product quality. Some enterprises still put undue emphasis on promoting output and output value and ignore the promotion of production quality. Their products have not been changed for many years. Their designs are backward, their compositions are obsolete and their product quality is inferior but their prices are high. As a result, they are having a poorer and poorer sales and they are having more and more overstocks. We must attach major importance to this situation.

We must firmly foster the idea of giving first place to product quality, have a responsible sense of being the master of the state, actively throw ourselves into the second national "quality month" activities, give full play to our abilities, constantly improve product quality and produce more quality products that have good sales so as to meet the needs of socialist modernization and the people's livelihood.

Consider Consumers

Changsha Hunan Provincial Service in Mandarin 1100 GMT 1 Sep 79 HK

[Station commentator's article: "We Must Take the Consumers Into Consideration in Everything"]

[Excerpts] The second "quality month" activities in China has been launched starting today. Many units have put forward a resounding slogan for the

"quality month" activities: "Take the consumers into consideration in everything." It is a summation of profound experiences. It has very accurately manifested the basic premise of doing well in promoting quality control.

During the past few years, as a result of the serious interference and sabotage of the gang of four, the concept of taking the consumers into consideration in everything was blunted. In order to seek high value and output, some enterprises disregarded product quality in their production. They have no standards for their products, seek no innovation in product varieties and ignore the needs of the state and people's livelihood. They manufacture in a rough and slipshod way, do shoddy work, use inferior materials and have made no improvement in their products for years. The products are of an inferior quality but their prices are high. This has resulted in a very abnormal situation in which many commodities are out of stock in the markets and others are piled up in the factories.

In some enterprises, large amounts of productive circulating capital have been appropriated while the piled-up products have degenerated and been scrapped. This has not only brought about great economic losses to the state and great difficulties to enterprises in production and brought some enterprises to the verge of stopping production and being eliminated, but has also impaired the prestige of socialist enterprise and the state, resulting in many irredeemable political consequences.

Facts have demonstrated that if enterprises and productive units do not take the consumers into consideration, they will certainly receive their deserved punishment.

All production units must resolutely overcome the thinking that when there are few product varieties, their products are in great demand irrespective of their quality and that the production tasks are so heavy that they do not have time to worry about product quality. They must take the consumers' demand as the standard and work hard to produce more products with which the consumers are satisfied in order to acquire more consumers and promote the development of the enterprises.

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ECONOMIC PLANNING

HENAN MEETING DISCUSSES INDUSTRIAL PRODUCTION

Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 1 Sep 79 HK

[Summary] The Henan Provincial Revolutionary Committee convened a telephone conference on 31 August to discuss increasing production and practicing economy in industry and communications. Yang Shucheng, deputy secretary of the provincial CCP Committee and vice chairman of the provincial revolutionary committee, presided. Responsible persons concerned from all parts of the province and the provincial organs participated.

The conference pointed out: The prefectures and municipalities have got a good grasp of implementing the spirit and demands of the national and provincial conferences on increasing production and practicing economy in industry and communications. Much has been accomplished in a short time.

The conference held: Since the province's industrial production must rise by more than eight percent this year, the tasks in the last 4 months of the year are extremely arduous. The prefectures and municipalities must grasp the fulfillment of the production and economy plans as a serious political task and give free rein to the masses to fulfill them. "It is necessary to adopt special measures to insure the fulfillment of the light industry and textile production plans. All sectors and trades must strengthen support for the light and textile industries." The province must make a success of the forthcoming "quality month," and also seriously implement the relevant documents of the provincial revolutionary committee on improving the bonus system.

"In accordance with the recent instructions of the provincial CCP Committee, the conference demanded that the industry and communications front continue to seriously launch the discussion on practice as the sole criterion for testing truth, vigorously criticize the ultraleftist line of Lin Biao and the gang of four, eradicate its poison, and solve well problems in ideological, political and organizational lines." It is also necessary to care for the workers' daily life and promote safety in production.

ECONOMIC PLANNING

GUANGDONG MAKES DECISION ON ENTERPRISES BONUSSES

Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 29 Aug 79 HK

[Summary] The Guangdong Provincial CCP and Revolutionary Committees have decided to conduct trial-point work in implementing the experiences of Qingyuan County enterprises. "The comrades in Qingyuan County have emancipated their minds, and are bold in undertaking practice and research. Since last October, they have deducted a percentage from excess profits for use as bonus money in 17 state-owned industrial enterprises throughout the county, greatly mobilizing the activism of the enterprises and the staff and workers and improving the management of the enterprises. As a result, production has developed, quality has been enhanced, costs have been lowered and labor productivity has been enhanced. The enterprises have turned losses into profits."

The provincial CCP and revolutionary committees have organized all the participants to the provincial conference on increasing production and practicing economy in industry and communications to discuss the experience of Qingyuan County. They made a summation after the discussion. The provincial CCP and revolutionary committees have demanded that the prefectures select certain counties' industrial enterprises to conduct trial-point work and pointed out:

"Deducting a percentage from excess profits for use as bonus money is the main reason why Qingyuan County could score outstanding achievement in industry in the first half of this year. However, it is not the only reason. They and the county CCP Committee have strengthened their leadership over economic work, fully mobilized the masses, seriously improved the management of enterprises, strengthened the ideological and political work and so forth. These are inseparable.

"There are also imperfections in the experience of Qingyuan County. They require improvement. The concrete opinion on improvement is:

"1. Enterprises should implement the state plans. If enterprises feel that the profit plans which the higher level assigns to them are too high and make it impossible for the enterprises to increase production, earn

more income and carry out readjustment, they must have approval from the finance departments at the higher level to change them. In future, the organs at the higher level should try to establish plans in line with the reality of the lower level. The counties and enterprises must strive to insure the fulfillment of the states' profit plans.

"2. The provincial economic committee and the finance bureau will issue the percentage ratio to be deducted from the overfulfilled portion after the profit plans are overfulfilled in the trial-point enterprises. The percentages ratio will be issued throughout the province in accordance with the different trades and professions, the documents of the state council and the experience of Qingyuan County. The various areas are not allowed to formulate their own percentage ratio.

"3. The percentage to be deducted in the enterprises must first be used to expand reproduction, and second for the collective welfare of the staff and workers and the individual bonuses of the staff and workers.

"4. The counties which deduct a percentage of excess profits for use as bonus money must insure that the profits to be turned over to the province increase every year."

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ECONOMIC PLANNING

BRIEFS

ANHUI INDUSTRY--The people in Anhui are working hard in the third and fourth quarters to fulfill and overfulfill this year's industrial production and revenue plans. The province, most of the municipalities and prefectures have formed leadership groups on increasing production and practicing economy and opened offices to be responsible for fulfilling and overfulfilling the industrial production and revenue plans for the third and fourth quarters. Since mid-August this year, Su Yu, Hu Tan and Guo Tixiang, responsible comrades of the provincial leadership groups on increasing production and practicing economy, have solved some problems between departments. The people in Hefei, Wuhu, Tonling, Huaibei, Anqing and Puyang municipalities and prefectures are resolved to work hard for 130 days to fulfill and overfulfill this year's industrial production and revenue plans. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 21 Aug 79 HK]

GUANGDONG FINANCE, TRADE CONFERENCE--The Guangdong finance and trade conference recently held in Guangzhou put forward that the major tasks in Guangdong's current finance and trade work are to seriously implement the principle of readjusting, restructuring, rectifying and improving the national economy; prominently do well in supporting agriculture; actively promote the development of light and textile industries; further do well in promoting market supply, foreign trade and exports; widely launch the movement to increase production and practice economy; speed up the development of Guangdong's finance and trade; and contribute to do well in fighting the first battle of realizing the socialist four modernizations. The conference noted: finance and trade departments must do well in promoting the procurement of agricultural sideline products in a timely way and promote the development of production. The conference also specially studied the issue of how to actively promote the development of light and textile industries and to supply even greater varieties of daily industrial products. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 24 Jul 79 HK]

QINCHAI PRODUCTION MEETING--The Xining municipal leading group for checking warehouses, reducing deficits and increasing profits held an on-the-spot meeting on increasing production and practicing economy at Xining motor vehicle parts factory on 20 August. Workers from this factory, the Qinghai

chemical industry plant and Xining match factory introduced their experience in the campaign to increase production and practice economy. (Zhu Deben), vice chairman of the Xining Municipal Revolutionary Committee, spoke at the meeting. He noted that leaders of some enterprises remained indifferent toward the shift of the emphasis of the party's work and that some Daqing-type enterprises turned out products of inferior quality. He called on industrial and communications departments and enterprises in Xining to learn from advanced experience and elect capable persons to leading posts so as to do a better job. [Xining Qinghai Provincial Service in Mandarin 1430 GMT 22 Aug 79 OW]

SHANDONG MUNICIPAL WORK CONFERENCE--The Jinan Municipal CCP Committee held a work conference 8 to 13 August to study once again the guidelines of the third plenum of the 11th CCP Central Committee. The worker conference discussed the question of how to concentrate efforts on economic work and how to push industrial production forward to insure comprehensive overfulfillment of the annual plans of this year. It was reported that the annual total output value plan for the municipality was carried out 55.5 percent, an 4.8 increase over the same period last year. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 17 Aug 79 SK]

ZHEJIANG ENTERPRISE REGULATIONS--Hangzhou, 24 Aug--The Zhejiang Provincial Revolutionary Committee recently issued a (draft) [brackets as received] regulation concerning the development of city, township and neighborhood collectively owned enterprises and called on prefectural, municipal and county revolutionary committees and on units directly under the province to actively support city, township and neighborhood collectively owned enterprises. The regulation lists trades under nine categories including industry, handicrafts, food service, repair service, transportation, construction, commerce, culture and education, and health which collectively owned enterprises are allowed to engage in. The regulation also stipulates that staff members and workers of collectively owned enterprises should not be discriminated against. [Beijing XINHUA Domestic Service in Chinese 0320 GMT 24 Aug 79 OW]

CSO: 4006

GENERAL ECONOMIC INFORMATION

'JIANGXI RIBAO' STRESSES PROPER IMPLEMENTATION OF BONUS SYSTEM

Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 1 Sep 79 HK

[Report on JIANGXI RIBAO short commentary: "We Must Not Give Up Eating for Fear of Choking"--date not given]

[Excerpts] The short commentary noted: A bonus is a form of payment for labor adopted to realize the principle of to each according to his work. The practice of the bonus system on the industry front is a significant measure to expose and criticize Lin Biao and the gang of four, boldly correct past mistakes, observe objective laws and use economic methods to manage enterprises. It has played a very effective role in mobilizing the enthusiasm of the staff and workers in vigorously developing the four modernizations and promoting the development of production.

In the course of practicing the bonus system, some units have failed to keep pace with the system in ideological and political work or have not correctly practiced the bonus system and some problems have arisen. In particular, toward the end of last year, in the name of giving out year-end bonuses, some localities and units recklessly gave out cash and kind. As a result, the state's money was spent. However, the effects of rewarding the advanced, urging the backward on and developing production were not achieved.

The problems which arose from giving out bonuses merit our attention and we must attach importance to them. These problems have demonstrated that the bonus system which embodies the principle of to each according to his work has not been truly implemented. There are many reasons for this. We should specifically analyze them and make improvements in order to gradually perfect the system.

Because of improper work, problems have arisen in some enterprises in giving out bonuses. Without making any analysis, some comrades have blamed the problems on the bonus system which embodies the principle of to each according to his work. They have given up eating for fear of choking and used it as a pretext to negate and abolish the system of to each according to his work and bonuses. They have once again developed equalitarianism and started "messing together." This action is not correct.

Many of our enterprises have implemented the principle of to each according to his work and practiced a rational bonus system which encourages the advanced. As a result, the enthusiasm of the staff and workers has been greatly enhanced and production has developed very rapidly. This has been repeatedly demonstrated by the practice of many enterprises.

In persistently practicing the bonus system, the current issues are to seriously study the spirit of the third plenum and the theories and policies regarding to each according to his work, penetratingly criticize the ultraleftist line of Line Biao and the gang of four and eliminate its pernicious influence. We must do a very good job in summing up the positive and negative experiences and lessons of the past years, correctly practice the bonus system, mobilize the socialist enthusiasm of the staff and workers and do well in promoting the movement to increase production and practice economy in order to better serve realizing the tasks of readjusting, restructuring, rectifying and improving the national economy and speed up the four modernizations.

CSG: 4006

GENERAL ECONOMIC INFORMATION

HUBEI MUNICIPALITY PUBLICLY ENROLLS WORKERS

Wuhan Hubei Provincial Service in Mandarin 1100 GMT 30 Aug 79 HK

[Summary] "According to a HUBEI RIBAO report, worker enrollment advertisements have been recently put up along major roads and in street corners in Shashi Municipality by the worker enrollment office of the Shashi Municipal Revolutionary Committee." According to the advertisements, the higher authorities have permitted units under ownership by the whole people to enroll a total of 1,944 workers in Shashi. "To enhance the quality of worker enrollment, the current worker enrollment will adopt voluntary entry methods, comprehensively assessing the moral, intellectual and physical qualities of applicants and selecting the best." The masses of young applicants and people have supported the public worker enrollment methods.

Over the past few years, the workers needed by factories were enrolled and assigned by labor departments in a unified way. This worker enrollment method had quite a few disadvantages: 1) Units which needed new workers could not enroll them in accordance with their own production characteristics and requirements; nor could they have job interviews with applicants or select the best; 2) Applicants had no choice at all; and 3) The enrollment work was not carried out publicly on the basis of selecting the best. As a result, the practice of getting jobs through the "back door" prevailed in a serious way. The people had many complaints about this.

To change this situation, the Shashi Municipal Revolutionary Committee has decided to carry out enrollment work publicly. To do well in the current enrollment work, responsible comrades of the municipal revolutionary committee listened to reports made by departments concerned and formulated general regulations regarding enrollment work. The general regulations prescribe that the current worker enrollment is intended for two types of applicants: 1) Reticulated educated youths who have tempered themselves through manual labor in the rural areas for 2 years and 2) Educated youths who have been permitted to stay in the city in accordance with the stipulations of the policy. The enrollment work started on 20 August. General knowledge examinations will be held on 2 September.

GENERAL ECONOMIC INFORMATION

UTILIZING LAW OF VALUE IN ECONOMIC ACCOUNTING

Beijing CAIWU YU KUALI [FINANCE AND ACCOUNTING] in Chinese No 4, 20 Apr 79
pp 14-15

[Article by Wang Jiexiang [3769 0094 4382], Shandong Aluminum Plant]

[Text] Due to the continued existence of commodity production and exchange through the medium of money in the socialist society, the law of value is an objectively extant economic law which must be correctly utilized to serve the socialist economy. Practical experience has proven that only the utilization of the law of value and the implementation of a strict system of economic accounting will induce enterprises to keep improving their production technology, perfect their business management, reduce costs, raise economic effectiveness and promote the development of production. Based on understanding that I gained in actual work, I intend to discuss in the following some concrete examples of utilizing the law of value and of instituting economic accounting.

Our branch factory producing aluminum by the electrolytic method has in the past always used pitch as raw material to make anode paste. The pitch came from the Shijingshan Steelworks, shipped to us from Beijing by long-distance transport and costing 68 yuan per ton. If we would use pitch from the Jinan Steelworks it would cost only 55 yuan. Why seek the far away instead of what is close by, why use a higher priced raw material rather than the cheaper one? One reason was that, having used Shijingshan pitch in the past, its mixture and use in ratio production operations were well understood. It was feared that changing to Jinan pitch would affect production operations and the quality of the electrolytically produced aluminum. Another reason was that the law of value had never been applied and no economic accounting had been carried out. After the exposure and criticism of the "gang of four," knowledge was enhanced, accounting strengthened and, with the approval of the Materials Control Department, the cheaper Jinan pitch was used. By diligent trial mixtures and trial production by the production units, with the close cooperation of other units concerned, the quality of the anode past thus produced conformed completely to requirements. In this way the cost of every ton of anode past was 8 yuan less and the production costs of the electrolytically produced aluminum could be reduced

by 180,000 yuan per year, thus raising the profit rate and increasing capital fund accumulation for the state as well as economizing transport resources.

The cement branch factory of our plant in sintering cement chamotte has in the past always used low ash-content Datong coal which cost 31 yuan per ton. Shandong is also a coal mining area, its coal is high in ash content but its price is cheap, 23 Yuan per ton. As people were afraid that the use of Shandong coal would cause problems and adversely influence the quality of the cement, afraid of shouldering the responsibility, they shunned what was close at hand and used the far away product instead, the high-priced Datong coal. Later, through many experiments, they learned to use Shandong coal in the sintering process and changed over to the use of Shandong coal. At the beginning of last year, due to the Materials Control Department having changed the source of coal supplies, the cost of one ton of cement could be reduced by 0.50 yuan. Throughout the entire year this would amount to a reduction in costs of 210,000 yuan. This not only increases accumulation for the state but also lightens railway transportation from Datong in Shanxi Province to Gunzhou in Shandong Province. In another instance, the Supply and Marketing Division had stocked up almost 600,000 fiberglass bags for packing aluminum oxide. The ratio of torn bags was very high because they had been used repeatedly and the production units did not want to use these bags anymore. Later, the supply department organized family members of the staff and workers to repair the old bags at a reasonable price, so that each bag cost less than 0.30 yuan, while new bags would cost 1.47 yuan each, which is four times more. The production units are therefore glad to use the old bags. By doing so, not only is material used to its utmost, overstocked material cleared out and costs reduced, but the pressure to supply new fiberglass bags has been lightened.

The effectiveness of the law of value does not manifest itself only in the accounts with outside units but also in the accounts among various sectors within the same enterprise. For instance, in the case of price determination for work teams relevant to economic and technical indexes (generally determined on the basis of state-prescribed unit cost prices), if the prescribed plan prices would not conform with the objective reality and contravene the demands of the law of value, this would adversely affect efforts to raise the quantity and quality of production. No. 2 workshop of the aluminum oxide branch of our plant produced raw material in thick liquid form. The work team accounts should be based on four indicators, namely hourly capacity of mill, water content, ratio of calcium to silicon, and fineness. In the past, indicators were not separately established for economic results and a percentage figure was used of the completed, up-to-standard products. As a result, production capacity could not be raised and water content was badly controlled, resulting in a reduction in quantity and quality of production. Later, adjustments were made based on the law of value and according to the larger and minor economic effects. The production capacity went up markedly, going from small-scale milling to large-scale milling and large-scale milling exceeded the 100 mark (over 100 cubic meters per hour capacity). At the same time the sense of

responsibility was strengthened, measures were undertaken with great enthusiasm to better control the solution cocks, thus guaranteeing the quality of the production. Another instance involved the use of reject material (dross and waste materials) at the smeltery. Effective metal content in these materials was low (it was like leftover bits and pieces) and the prescribed price inclined to be high so that nobody wanted to use it and the factory could not dispose of its dross and waste material, tying up capital funds. Later, giving consideration to such factors as the adverse effect of rejected material on raising production capacity, the price was adjusted downward. Many people then started to use the reject material and disposal of waste materials was greatly speeded up.

In summary, the law of value is something that must be utilized and must not be contravened. Comprehending it and utilizing it can adroitly guide action according to circumstances and render a service to production. It can raise labor productivity and low production costs as well as raise the quality of the products. Violating the law of value, conducting affairs not in accordance with the law of value, will result in having to suffer its penalties. This is a truth gained through many years of experience. We must make full use of the law of value and strengthen economic accounting in enterprises to serve the realization of the four modernizations.

8453

CSO: 4006

GENERAL ECONOMIC INFORMATION

INDIVIDUALLY RUN REPAIR, SERVICE TRADES REAPPEAR IN BEIJING

Beijing Domestic Service in Mandarin 2230 GMT 27 Aug 79 OW

[Text] According to CAIMAO ZHANKIAN BAO [FINANCE AND TRADE FRONT JOURNAL], the Industry and Commerce Administration Bureau and the Finance and Revenue Bureau of Dongcheng District, Beijing Municipality, in order to fully implement the policy on individual workers, recently issued work licenses to a group of individual workers in the repair and service trades and encouraged them to work conscientiously and serve the people still better.

Since the close of the third plenary session of the party Central Committee, the two bureaus have coordinated with other departments concerned and investigated the general situation of individual workers. They have also studied and implemented related policies, including the following: Return the tools, cash and other belongings that should not have been confiscated but were to individual workers; help them solve their problems in obtaining raw and processed materials; revise some of the unreasonable tax rates on these trades; examine workers who do not have licenses case by case and issue them licenses according to regulations; prohibit those who are not legitimate residents of the district or who have other proper jobs from doing business; and educate, fine or ban those who cheat by not following the state's specified prices and repair service standards.

After these measures were implemented, the enthusiasm of these individual workers soared. They are now satisfied with their trades, working hard and greatly helping the people. Their services have helped solve many people's petty problems and at the same time helped increase the national revenue.

The Beijing Municipal Industry and Commerce Administration Bureau is ready to implement the policy on individual workers throughout the city so that the various traditional repair and service trades, individually run catering services in particular, will be restored as quickly as possible.

CSO: 4006

GENERAL ECONOMIC INFORMATION

'RENMIN RIBAO' COMMENTARY SUPPORTS TESTING OF CADRES

Beijing XINHUA in English 0227 GMT 8 Aug 79 OW

[Text] Beijing, 8 Aug (XINHUA)--No 1 machine tools plant of Qiqihaer in Northeast China has tried out a system to assess cadres, reports the PEOPLE'S DAILY.

The plant conducted tests of 270 cadres at the section level in the fourth quarter of last year and in April and May this year. The chief method was written and oral examinations. This was supplemented by a review of records of their efficiency and performance of duty. Further, the opinions of the masses were solicited. The cadres were classified on the basis of the tests into A, B, C and D categories. Cadres in category D do not measure up to the standard and are to be removed from leading positions. There were 14 such cadres in the plant. Four outstanding cadres in category A were promoted to higher level of responsibility. Cadres of category D can still advance if they perform their work well and make fast progress.

The PEOPLE'S DAILY in a commentary said that once political line was decided, cadres were the decisive factor. "Making our country a powerful modern socialist state requires a large number of outstanding cadres who know their jobs well and work selflessly and efficiently and have organizational ability," the commentary said.

China has accumulated experience in cadre work and adopted rules and regulations, including a system of testing and assessing cadres. But Lin Biao and the gang of four used loopholes in the system to form factions and create confusion. Good cadres were not commended and bad ones were not punished. For a long time, all cadres were treated the same whether they performed their responsibilities well or not.

The commentary urged further experiments in ways to test and assess cadres so that a new and better system would take shape.

CSO: 4020

GENERAL ECONOMIC INFORMATION

TIANJIN HOLDS ENTERPRISE MANAGEMENT CLASSES

Beijing XINHUA in English 1200 GMT 1 Sep 79 OW

[Text] Tianjin, 1 Sep (XINHUA)--More than 25,000 enterprise managers, factory directors, workshop cadres and engineering and technical personnel have attended classes since the beginning of this year to learn how to manage modern enterprises.

These classes have been offered by cadre schools in industry and communications, by spare-time cadre schools and by individual factories and enterprises. So far, 139 courses have been held with a duration of from one week to two months.

Most of those attending the classes have twenty to thirty years' experience in the management of enterprises, but wish to keep abreast of current developments in order to raise their management skills and contribute their best to modernization.

Among the subject areas covered in the courses are planning, the introduction of new technology, finance, deployment of labour, and the most efficient ways of handling goods and materials. Lectures on some special subjects have been given by faculty from the Tianjin College of Finance and Economics, the Hebei Engineering Institute, Nankai University and Tianjin University. The courses have attracted favourable comments from the participants.

CSO: 4020

GENERAL ECONOMIC INFORMATION

FINANCIAL MANAGEMENT OF JOINT ENTERPRISES

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 4, 20 Apr 79
pp 25-26

[Article by Liu Wenyin [0491 2429 0603], Finance Division, Jilin Chemical Industry Company]

[Text] At present there are basically two forms used in the management of financial affairs in joint enterprises: one is the company (or main plant) which centralizes all financial authority and business, with unified accounting and unified management; the other is the company in which the main financial authority is centralized but minor authority is decentralized. In the opinion of this writer the latter form of management is preferable.

The system of financial management that is adopted must conform to the conditions of production development and the form in which production is organized. In joint enterprises there is a division of social labor into different tasks but there is also a relationship of close cooperation. The single economic unit has an independent character; it is the most basic economic organization of the state. To organize scattered enterprises into joint companies according to specialization and coordination relationships is the unavoidable trend and objective demand of a rapidly and high level developing modern industry. The form of financial management in joint enterprises must therefore provide an organization for financial accounting and financial management of the various enterprises and also provide a good solution for the relationships between the company and its factories in order to bring into full play the zeal and initiative of the factories. For these reasons the financial affairs and the financial authority of the company must not be unduly centralized. A system should rather be instituted of management and accounting at three levels, namely at the company, factory and workshop level.

The company must be the pivot of all financial management. The main attention must be directed to determining important policy and long-term plans, the unified system of accounting, guiding concrete business affairs, supervising and checking the working conditions of the accounting system and organizing overall business accounting.

The factories must be the core units for financial management and business accounting. The basic operations must be performed by the factories. The accounting system must also for the most part be implemented by the factories. The quality of accounting at this first level is the key to the good quality of company accounting.

The workshop is the foremost frontline of production; the economic accounting of work teams and the cost accounting of workshops is the foundation of the entire financial accounting.

The benefits of this type of management are:

- (1) It can bring into full play the superiority of joint enterprises and is advantageous to bringing into play the initiative and zeal of enterprises, and to a real centralization of major authority and decentralization of minor authority, indestructable in unity and divided yet not in chaos.
- (2) The company can institute a system of comprehensive economic accounting of the various enterprises in order to exercise supervision over the economic results achieved by the enterprises.
- (3) If the basic units have a certain amount of financial authority, the broad masses of staff and workers will find it easy to link their own work performance with the quality of management of their enterprise and will deal even better with the relationship between state, enterprise and individual.

It is difficult to imagine that, in an enterprise of several tens of thousands of people, economic accounting and financial affairs can all be well taken care of and well managed by relying on only one financial affairs department. In fact, if in the actual operations there is undue centralization of company affairs, the effect will unavoidably be that the financial staff will be overburdened with routine work and will have no time to gain an understanding of the grass-roots working conditions and production and business activities. They will then not be able to render reports to the leadership, be good councillors, and will also not be able to study conscientiously the subject of financial management itself.

Speaking of the practical experiences of two large companies of the chemical industry (The Lanzhou Chemical Industry Company and the Jilin Chemical Industry Company), they had extensively centralized their handling of goods and materials and their financial management. Marketing of products was centralized in the company, the company acted as agent for collections and disbursements, it figured out profits and turned over profits to the state in one unified remittance. The factories did no more settlements of accounts with outside places; all accounts for economic dealings were channeled through the company. The company became the center for all financial transfers and circulating capital funds and bank loans were all under the unified control of the company.

As a consequence, the various factories and departments in charge of materials had absolutely no responsibility for the way capital funds were managed; when they had no money, they asked for it from the company. The situation of outstanding accounts among the various factories assumed extremely serious proportions. Since the factories did not do any marketing, they had no profit indexes and there were no comprehensive indexes to reflect the state of business operations. The company drew funds for its enterprises according to the fulfilment of the profit target but had no way of distributing the funds to the various factories.

If we want to strengthen financial management in joint enterprises, the managerial procedures in the Lanzhou Chemical Company and the Jilin Chemical Company must, in my opinion, be reformed as follows:

- (1) Factories within the company must institute independent accounting. Marketing must be handled by each factory so as to draw a clear line of distinction between the economic responsibilities of the various factories and to check on the economic results of each factory.
- (2) The various factories of the company must institute a system of contracts. They must settle accounts through a bank. The present large-scale transfer of accounts system and triangular settlement of accounts must be abolished so as to achieve clarity in accounting.
- (3) Each factory is to administer its funds independently, that is, they will separately raise bank loans and separately determine funding norms, so as to bring into full play the zeal among factories for management of funds.

In this way each factory will display an initiative of its own and will also have its own economic responsibility. This will avoid a state of affairs in which all authority is concentrated in the company, factories lack authority as well as economic responsibility, and economic management within companies is poorly handled.

8453

CSO: 4906

GENERAL ECONOMIC INFORMATION

PROBLEMS IN FINANCIAL WORK DURING NEW PERIOD OF CHANGE OUTLINED

Beijing CAIWU YU KUALI [FINANCE AND ACCOUNTING] in Chinese No 5, 20 May 79
pp 5-7

[Article by Yang Changzeng (2799 7022 1073), Finance Bureau, Anhui Province]

[Text] The Third Plenary Session of the 11th Central Committee of the Party decided that as from 1979 the focus of all work of the party is to be shifted to the modernized socialist construction. This is a great, historical shift. How financial work is to adapt to this shift, to speedily increase revenue, to bring into play to the fullest extent the effectiveness of capital funds and to gradually raise financial management to considerably higher levels, all this is still a new task for us. In this respect the present article tries to examine certain of the problems involved.

How to Increase Most Speedily Financial Income

Economics determines finance, finance influences economics. Speedy modernized socialist construction and the speedy increase of revenue are cause and effect to each other. According to the experiences of many years, the proportionate relations of revenue increases and production increases show three alternative conditions: one is that revenue increases less speedily than production; secondly, the speed of revenue increase is in general the same as that of production increases, and thirdly, revenues increase somewhat more speedily than production. The high speed of revenue increases of which we speak is the one we strive to achieve according to the third alternative, by which we furthermore shall strive to maintain a continuous, progressively rising level. How are we to accomplish this?

Firstly, to achieve a planned and well-proportioned development of the national economy, including an appropriate ratio between accumulation and consumption, is to truly succeed in placing the gradual improvement of staff and workers livelihood on a basis of production development--"production one inch more, welfare one cent better"--and not separating ourselves from production when we talk about livelihood. It is having the objective of gradually reducing the scissors differential between agriculture and industry connected with raising agricultural labor productivity, and it is not overzealously and wildly raising the prices of agricultural products and reducing the prices of industrial products.

Secondly, to improve production conditions, raising labor productivity. Marx said: "Within a certain period, thus within a certain period of surplus labor, the amount of use-value that can actually be produced is determined by the length of the surplus labor time, but rather by the productivity of surplus labor and the production conditions on which this surplus labor, to a larger or lesser extent, depends." ("Zibenlun" [Kapital] Vol 3, p 926) The problem we are faced with at present is in fact the backwardness of production conditions, the low labor productivity and the low level of revenue. The problem of raising labor productivity must not be separated from the basic realities of the situation. First of all we must fully bring into play all the potential of enterprises and raise the rate of utilization of equipment. We must follow the principle of distribution according to labor, the principle that whoever works more gets more. We must carry out a system of piece rate wages (where conditions permit) and time wages with bonuses added. At the same time we must carry out renovations, tapping of latent resources and transformations in presently operating enterprises in order to raise the level of their technology. In this respect we are now allocating too few funds and centralizing control to the extreme. I believe we should apply a system of unified planning but separate managing at different levels for the tapping of latent resources and for renovating funds. The renovation and reorganization of central enterprises must be planned and managed in a unified manner by the responsible departments, but the local enterprises must have their planning and managing done in a unified manner by the business branches at the local levels. The local financial reserves must also be used at a certain ratio in the renovation, tapping of potential and transformation to achieve at an early date the conversion of the present enterprises into ones with a high level of modern technology and to raise labor productivity so as to provide the state with more funds.

Thirdly, vigorously reduce production costs. The problems that exist at present in our production are the high consumption of raw materials in our production processes and the great amount of waste; these are phenomena that should not exist in socialist production. Marx said: "if we examine capitalist production, leaving aside the circulation process and the excessive competition, we find that capitalist production is extremely economical with regard to the labor that is realized and embodied in the commodities." ("Zibenlun" Vol 3, p 105) With respect to economizing in means of production we must learn from the capitalists. What we have to do is to establish norms for the consumption of raw materials, other materials, fuel and motive power. While ensuring quality, we should reward frugality and impose economic penalties on those who consume excessively. Within the scope of cost expenditure we must clearly lay down that expenses for the training of workers are part of the production costs. Prices for raw materials must be strictly charged according to their quality. Rewards should be paid where old material is repaired and waste material utilized.

By carrying out these three things, it is absolutely possible to have the increase in revenue surpass the increase in production.

How to Bring Into Full Play Effective Use of Capital Funds

Every investment of capital funds or material wealth will display its effectiveness in different forms. Under certain technological conditions the greatest effectiveness of a certain amount of material is fixed. The maximum effectiveness of capital funds also has its objective standards. What we have to do is: arrange the various items of capital funds according to the demands of objective laws; within the working process allot funds only as the particular undertaking itself requires, without the slightest waste; any item brought to conclusion must conform to the demands of socialist modernization, this will bring into full play the effectiveness of capital funds. In other words, do much with little money, that is bringing into full play the effectiveness of capital fund use. Of course, to subject particular items to specific investigation and to raise the effective use of capital funds is of equally important significance for the speed of increasing revenue. The present problems are overemphasizing on financial revenue (this is correct) and making light of financial expenditure; giving all attention to how much money there is to spend and giving little attention to how the money is spent. The effectiveness of fund use is very poor and the waste is frightening. Some money is not only uselessly spent but it even makes things worse. For instance, the unrestrained digging of canals, reclaiming land from lakes, has thrown the waterway system into confusion; the reckless building of locks and raising dykes made neighboring land into ravines, etc. In recent years the lengthening of the capital construction front has become a big and difficult problem. Year by year there is a clamor for the shortening of the capital construction front to concentrate strength for the war of annihilation. But it was not possible to shorten the front. On the contrary, it grew longer and longer every year, with the result that some projects could not be completed for long periods of time and could not be put into operation, incurring much loss and waste. It seemed it was considered a trifle to waste several million yuan on a construction project, thus having the people's sweat and toil go to waste. In some instances people felt at ease and justified and suffered no penalties for what they had done. Some even beat their breasts and proclaimed: "If anything is wrong, I am responsible," but actually they were not intending to make any self-criticism, nor were they prepared to make amends and even less to resign from their jobs. In their official positions they oppressed the people and nobody dared to touch a hair of their heads. The reason why this was so was mainly because there were no sound laws and regulations on matters of finance and economics and whatever poor regulations did exist were badly sabotaged. The law had no control over finance, it was the subjective "will of the superior officer," one man's say, that counted, a system of human control over finance.

We must have regulations to punish violations of financial or economic discipline, and these must clearly state what punishment will follow the violation of what regulation, with implementation to be left to the administrative or judicial organs. Without penal regulations, merely saying "will be considered as violations of financial and economic discipline," amounts to

empty talk. We must establish an audit system with auditors charged with supervision and investigation of every kind of use of funds with the right to suggest economic sanctions and disciplinary punishments as well as the right to file criminal suits.

Another problem is that personal expenses occupy an ever increasing proportion of various operating expenses, with administrative staff greatly exceeding the established norm, and administrative operating expenses being spent far in excess. Although this is not a purely a financial problem, it affects the effective use of financial means. Institutions must strive, according to the regulations governing enterprise management, to increase their incomes by every means. For medical and health services, theatricals and movies, gardens and parks, other installations, there should be fixed quotas for operational expenses. Where the proper conditions exist a system of responsibility for the task until completion shall be applied, with any cash surpluses to be retained but no remuneration for overspent items, so as to fully bring into play the zeal of all units for financial management.

The budget is an important organizational part of the national economic plan. Whether every item of the capital funds is appropriately allocated, whether the ratio of the various items reflect the demands of the objective economic laws, is of the greatest importance for the effectiveness of fund use. A problem of recent years was that gaps were left in the arrangement of the budget and there was even a mistaken theory used in defense of this practice. To say that we shall do as much as we have money and material for is passive balancing and leaving gaps. To strive for balance in plan execution is active balance. If gaps are left in the budget dispositions and quotas are raised level by level in the execution of the budget, the gap will draw wider and wider and constitute a protracted problem.

Frugality in the plan is the greatest frugality, and waste in the plan is the largest waste. Plan and budget arrangements must reflect as far as possible the objective economic laws, this is the key to raising effectiveness in the use of funds.

How to Raise the Level of Financial Management

The purpose of raising the level of financial management is to greatly speed up the increase in revenue and to greatly increase the effectiveness of the use of capital funds. The present financial management is far below the developed state of such management. In certain places and certain respects our management methods are still those of small-scale production with a very low effectiveness. If we want to change this situation we have to give attention to the following points:

(1) Overcome the condition of having the human element control financial affairs and rather establish a system of finance being controlled by law. As it is now, there are many instances where there are no laws to go by, or, if there are laws, they are not being observed. There are instances

where violations are not punished and where the law is not being strictly applied. We must rapidly establish and perfect our system of laws and regulations; revenue, expenditure and management must all be conducted according to the provisions of the law and according to proper procedure. There must be no consideration of "face" and no decisions swayed by personal considerations. We must oppose subjectivist, arbitrary directives.

(2) We must conscientiously carry out unified leadership with separate management at various levels and thus stimulate to the greatest extent the active zeal at every level. The basic financial laws and regulations for the entire country are promulgated in a unified manner by the central authorities and a unified state budget is compiled from bottom to top. Apart from this, all items of financial income and expenditure, all types of production construction and the development of all undertakings are to be the responsibility of the particular level that has jurisdiction over that particular item.

We must conscientiously strengthen financial supervision. Before starting on an undertaking the financial plan must be subjected to scrutiny, during the process of planning, the execution of the examinations must be carried out during and after completion of the project and supervision must be exercised by an audit of the final accounting. The supervision must extend not only to the execution of the financial and economic system but also, through a supervision of the revenue and expenditure, to the implementation of the state's policies and laws and regulations.

(3) Adjustment of extra-budgetary funds. At present every unit of the administration, of institutions and enterprises has large extra-budgetary funds. Part of these are legal as some kind of state budget supplements. Part of them are fees raised by the units themselves for their operations. However, there is a considerable portion which are funds accumulated by undermining the finances of the state or by imposing additional burdens on the masses; of administrative fees alone there are several tens of these. Before we attempt any adjustment, the financial administrations at every level must first of all bring all funds into their control by a two-line method for receipts and expenses, to get a clear understanding of the situation. During the process of actual practice, funds that should be eliminated will be. Funds that should be taken into the budget will be, and special fund management is to be instituted for funds suitable for such treatment.

(4) Build up a contingent of "both red and expert" financial personnel. In accounting and auditing we must carry out leadership that attributes importance to every factor, large and small, its main principle must be leadership point by point in order to truly exercise its functions and powers. Through training classes, sparetime studies and other methods they are to gradually become men who understand politics, economics, business affairs, are familiar with all conditions, are dedicated to their work, are capable of independent work and who will wholeheartedly serve the people.

(5) A substantial financial organization. Since there is a constant change of conditions, a financial organization which always continues the old way will find itself inappropriate. Capital funds for developing production forces are rapidly increasing but apart from the investments in capital constructions, they generally lack conscientious management. In particular, the effectiveness of funds used in industrial development assumes pivotal significance for the raising of labor productivity and for increasing revenue. Special organizations should therefore be set up within the finance organs to manage these funds. In order to firmly maintain our socialist direction and to speed up the pace of the four modernizations, the financial departments must establish financial research organizations to strengthen the study of financial theories. All workers in the financial administration, in finance and accounting must study, guided by the party, by Marxism-Leninism and by Mao Zedong Thought, such areas as politics, economics, the party's line, direction and policies so that the level of financial work will conform to the demands of the developing situation.

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CSO: 4006

GENERAL ECONOMIC INFORMATION

BRIEFS

GUANGDONG TRADE UNION CIRCULAR--The Guangdong Federation of Trade Unions, the Guangdong Commerce Bureau and the Guangdong Supply and Marketing Cooperative recently issued a joint circular demanding that all places set up trade union organizations in all cooperative shops under the system of collective ownership and solicit the staff and workers of cooperative shops, which include the original vendors and peddlers, to join trade unions. The circular noted that the staff and workers of cooperative shops, which include the original vendors and peddlers, are part of the working class. Guangdong has given equal political and economic treatment without discrimination to both the staff and workers of cooperative shops and the staff and workers of state shops. At present, about 10,000 staff and workers of cooperative shops in Guangzhou Municipality have joined trade unions. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 30 Jul 79 HK]

HENAN ENTERPRISE MANAGEMENT--To conform with the demands of the four modernizations and strengthen the training of cadres in economic management, the first Henan enterprise management research course held by the Henan Economic Committee victoriously concluded on 21 July after 40 days. Some 120 persons took part in the course. During their study, Liu Jie, secretary of the standing committee of the Henan Provincial CCP Committee, personally held a forum. (Wang Shucheng), deputy secretary of the Henan Provincial CCP Committee and vice chairman of the Provincial Revolutionary Committee, went to the research course to make a report. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 4 Aug 79 HK]

HUBEI NITROGENOUS FERTILIZER--In the first half of this year, production of small nitrogenous fertilizer plants throughout Hubei increased by 14.3 percent over last year's corresponding period. Coal, electricity and costs for every ton of nitrogenous fertilizer produced fell by 18, 13.5 and 13.3 percent respectively over last year's corresponding period. The Provincial CCP Committee held a conference this March on production of chemical fertilizer and formulated four policy measures for coal costs, electricity supplies, recovery of rolled steel and cost reduction. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 8 Aug 79 HK]

HUBEI ECONOMIC INVESTIGATION--The Hubei Provincial CCP Committee recently organized 122 investigation groups. Led by the leadership cadres of the Provincial CCP Committee and the departments, offices and committees, they have gone to 60 municipalities and countries and 40 factories, mines and other enterprises to conduct investigations and study so as to gradually understand economic law and do our work in accordance with this law. Through investigation and study, the Provincial CCP Committee demanded that the eight principles be further implemented and plans be made for 1980-1981. This investigation and study is also an important measure for improving the work style of government organs. The Provincial CCP Committee demanded that the investigation and study continue in the future. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 19 Aug 79 HK]

HUNAN FINANCIAL REVENUE--From January to July this year, the people in Hunan have fulfilled 59.82 percent of the yearly financial revenue plans, an increase of 11.75 percent over the corresponding period of last year, reaching the highest level ever recorded before. In the first half of this year, the total value of industrial output throughout the province fulfilled 50.5 percent of the yearly plans, an increase of 9.1 percent over the corresponding period of last year. The light and textile industry enterprises earned 17.5 percent more profits than last year. In the first half of this year, the 91 small nitrogenous fertilizer works fulfilled 52.6 percent of the yearly plans, an increase of 12 percent over the corresponding period of last year, earning a profit of 3.15 million yuan. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 18 Aug 79 HK]

SHANGHAI INDUSTRIAL PARTY SCHOOL--With the approval of the Shanghai Municipal Party Committee, the Shanghai industrial and communications party school has been established. The first enterprise management class began on 23 August. Participating in this class are some 200 cadres of various levels from the Shanghai municipal industry and communications office, the municipal construction committee, the municipal office in charge of national defense industry and municipal departments concerned. [Shanghai City Service in Mandarin 2300 GMT 23 Aug 79 OW]

WUHAN PRODUCTION, ECONOMY SYMPOSIUM--To overfulfill this year's state plan, the Wuhan Municipal CCP and revolutionary committees held a 6 August symposium of the industry and communication front to exchange experiences in increasing production and practicing economy throughout the municipality, sum up achievements, cite progressives and mobilize the staff and workers on the industry and communication front throughout the municipality, and further deepen the movement to increase production and practice economy. From January to July, the total value of industrial output fulfilled 57.4 percent of the yearly plans. At the symposium, the municipal CCP and revolutionary committees cited 87 units which had scored outstanding achievement in increasing production and practicing economy and 20 units which had scored comparatively prominent achievement in increasing production and practicing economy. Li Renzhi, secretary of the Provincial CCP Committee and first secretary of the Wuhan Municipal CCP Committee, attended the symposium and gave a speech. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 7 Aug 79 HK]

JIANGSU INDUSTRIAL PRODUCTION--Various enterprises on the industrial and communications front in Nanjing Municipality, Jiangsu Province, are mobilizing the masses to act on the guidelines of the conference held by the state council in Chengdu on increasing production and practicing economy. Cadres and masses on the front have set targets to increase value of total industrial output to the amount decided by the province, raise quality of products to a significant degree, achieve success in trial-producing 70 new products before national day, and save 200 million kwh of electricity, 16,550 tons of oil, 20,000 tons of coke and 120,000 tons of coal in this year. (Zhou Guofan) and (Kang Yuan), deputy secretaries of the Nanjing Municipal CCP Committee and vice chairmen of the municipal revolutionary committee, encouraged cadres and masses to perform concrete deeds at mobilization meetings held by the municipal revolutionary committee and the municipal trade union council respectively. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 21 Aug 79 OW]

JIANGSU MUNICIPAL SECRETARY--After attending the provincial conference on increasing production and practicing economy, Comrade (Xie Zegong), secretary of the Nanjing Municipal CCP Committee, led a number of leading comrades of offices, departments and bureaus concerned to lower units to study the situation for promoting the movement to increase productioned practice economy in the subsequent 4 months. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 21 Aug 79 OW]

CSO: 4006

FINANCE AND BANKING

'HAINAN RIBAO' STRESSES PROMOTING REVENUE WORK

Haikou Hainan Island Service in Mandarin 0330 GMT 31 Aug 79 HK

[Report on HAINAN RIBAO 31 August commentator's article: "We Must Promote Financial Revenue Work"]

[Excerpts] The article said: The finance departments assume the important tasks of accumulating and distributing capital. Insuring the accomplishment of the plans for financial revenue and speeding up the pace of capital accumulation are issues which have an important bearing on socialist modernization.

Since the beginning of this year, the financial situation has not been very good in our region. If we want to accomplish this year's financial plans, the financial work in the next few months will be very arduous. The party committees at all levels must clearly understand the situation, understand their tasks and strengthen leadership over financial work so as to promote financial revenue and fight a good battle in financial revenue.

The article pointed out: If we want to fight the battle of financial revenue well, we must devote time and energy to both increasing production and practicing economy. Viewing the situation on the industry and communications front of our region we can see that the overall arrangement of industry is not rational enough, supplies of raw materials are inadequate, production, supply and marketing do not dovetail with each other, the production facilities in many enterprises are not fully utilized, the standards of enterprise management are low, consumption of raw materials is high and the product quality is low. As a result, deficits increase in some enterprises and profits decrease in many enterprises. The potential to increase production, practice economy, make up deficits and increase surpluses is very great. So long as we seriously implement the principle of readjustment, restructuring, rectification and improvement, properly solve the existing problems in the industries of our region, rapidly make up deficits and increase surpluses and raise the amount of accumulation, the prospects for increasing financial revenue are bright.

Viewing the actual situation in our region, our current task is to energetically support the light and chemical industries which cost little, get

quick results, yield high profits and bring in plenty of foreign exchange. We must insure giving them adequate supplies of fuel, power, raw materials and capital in accordance with the principle of supply according to merit.

Trying in every possible way to put stockpiled goods and materials to work is an important aspect of tapping material potentials, promoting the work of increasing production and practicing economy and making up deficits and increasing profits. All the units concerned must enthusiastically carry out stocktaking and auditing work.

In fighting well the battle of financial revenue, we must strictly control financial expenses. The comrades of the whole party and especially leading comrades at all levels must fully understand this issue. We must persist in the principle of being industrious and thrifty in managing all affairs, bring the spirit of working hard into play, make careful calculation and strict budgeting and properly put all the capital to work. We must make sure that all capital for supporting agriculture is used in agriculture and we must make careful calculation and strict budgeting and resolutely oppose blind commands, waste and losses.

We must forbid people from diverting the circulating or other capital to capital construction. We must impose strict control on all financial expenditure and try to achieve more and better results at less expense. As for tasks which must be done, we should do them in order of importance and urgency. We must continue to impose strict control on the purchasing power of social bodies and save all the money we can for use in the cause of the four modernizations.

In fighting the battle of financial revenue well, we must also straighten out financial and economic discipline and strengthen the management of revenue collection. We must strengthen education in the legal system regarding taxation and enhance the cadres' and masses' awareness to observe financial and economic discipline. All enterprises, undertakings and individuals must promptly pay taxes according to law, making additional payments with corresponding increases in profits. The party committees at all levels must enthusiastically support the work of the financial departments and seriously investigate and deal with actions of embezzling state income, evading tax and refusing to pay tax. We must insure the smooth carrying out of the management of revenue collection.

CSO: 4006

FINANCE AND BANKING

BRIEFS

BEIJING BANK DEPOSITS--Beijing, 22 Aug--Bank savings of rural and urban residents of Beijing broke all previous records to top 11 hundred million yuan by the end of July. New deposits in the city came to 150 million yuan in the first seven months of the year, double the sum for the same period in 1978. Rural deposits increased by 67.5 percent. January and February used to be the peak period for rural bank savings following the year-end settling of accounts among the peasants and was normally followed by a decrease. A new trend this year, however, shows increases in bank savings in half of the rural districts and counties surrounding Beijing in the middle of the year, indicating that peasants now have more cash since the implementation of rural economic policies. Haidian District in the western suburb reports an average of 55 yuan in bank savings for each person in its 184,000 strong rural population. The increase in deposits, according to the city people's bank, was due mainly to recent increases in wages, a proper application of the work point system in rural communes, and monetary rewards for overfulfilment of production quotas. Interest rates on fixed deposits in China went up on April 1 this year. Between April and July, the number of depositors increased by 150,000. Beijing banks have 3.78 million depositors. Fixed deposits make up 80 percent of accounts. [Text] [Beijing XINHUA in English 1205 GMT 22 Aug 79 OW]

GUANGDONG FINANCE, TRADE CIRCULAR--The finance and trade political department of the Guangdong Provincial CCP Committee and the finance and trade office of the Provincial Revolutionary Committee recently jointly issued a circular, calling on cadres, staff and workers of the province's finance and trade system to score outstanding achievements in the "fine service-month" activities to be carried out in September this year. The circular said: In carrying out the "fine service-month" activities, we must stress improving service attitudes and raising the level of service quality and management. Following this year's national day, all finance and trade units must make a public appraisal of their results and commend and offer material rewards to chosen advanced units and individuals. [Guangzhou Guangdong Provincial Service in Mandarin 1130 GMT 14 Aug 79 HK]

SHANGHAI FINANCE, TRADE--During the first 6 months of this year, the Shanghai Municipal Revolutionary Committee's finance and trade office registered an increase of 24 percent in the retail sale of consumer goods, and 48.8 percent and 38.6 percent respectively in the purchase of industrial and agricultural products from suburban Shanghai and other parts of China over the corresponding period of 1978. This success was attributed to a campaign launched early this year to increase production and practice economy. [Shanghai City Service in Mandarin 0000 GMT 7 Aug 79 OW]

SICHUAN COLLECTIVE ENTERPRISES--Chengdu, 11 Aug--The collectively-owned enterprises and services trades of Chengdu and Chongqing municipalities in Sichuan will receive financial support of 2 million yuan from the Sichuan Provincial Revolutionary Committee. The money will come from the financial income of the province. In the more than 2 years since 1977, Sichuan has provided jobs for 870,000 people waiting for employment. The great majority of these people have been employed by the collectively-owned enterprises and service trades. The appropriation of the 2-million yuan fund was aimed at improving these enterprises and trades in line with the policies formulated at the third plenary session of the CCP Central Committee and the second session of the Fifth National People's Congress. [Beijing XINHUA Domestic Service in Chinese 0136 GMT 11 Aug 79 OW]

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FUELS AND POWER

ECONOMIC JOURNAL DISCUSSES POWER INDUSTRY ADMINISTRATION

Beijing JINGJI GUANLI in Chinese No 6, 25 Jun 79 pp 28-30 HK

[Article by Liu Xiao [0491 2556]: "The Power Industry Needs Centralized and Unified Administration"]

[Text] In speeding up the realization of the four modernizations, the various trades and occupations face the problem of reforming their administrative systems. Generally speaking, a serious defect in the system of economic administration in our country for some time in the past has been the overcentralization of power and authority, with too little power vested in local organizations, especially in enterprises. This does not help bring into play the initiative of local organizations and enterprises, a problem which must be solved in the reform of systems. However, various trades have their own characteristics, which must be specifically analyzed in the reform of systems. The form of economic administration must conform with the level of the development of productive forces and the degree of the socialization of production. An unsuitable form of organization and administration will shackle the development of production and hinder the development of productive forces. The administrative system in our country's power industry precisely reflects this situation now. Several examples are cited below:

Example one: To solve the problem of power consumption in Shijiazhuang, the power industry department made use of the coal in Xishan of Taiyuan to supply a large powerplant at Niangziguan. According to technological and economic requirements, it was reasonable to build a powerplant at Niangziguan in accordance with the water resources and other conditions there in order to transmit electricity to Shijiazhuang. However, after the construction was completed, the powerplant was put under the leadership of Shanxi Province since Niangziguan is administratively situated within Shanxi Province. This has caused problems. Although the power cables to Shijiazhuang were connected at the same time, electricity cannot be supplied to Shijiazhuang as was originally planned, but is sent back to Taiyuan. People cannot help asking: What is this all about? If they had to solve the problem of power consumption in Taiyuan, why did they not build a powerplant right in the coal mine in Shanxi and generate electricity with the coal in Shanxi? If the purpose in building the large power plant

at Niangziguan was to solve the problem of power consumption at Shijiazhuang, why does Shijiazhuang not use electricity in the daytime? Why is electricity supplied to Shijiazhuang only late at night when Shanxi Province does not use it? Obviously it is extremely unreasonable that such a situation should exist. The labor costs in coal transportation and power transmission back-and-forth for 158 kilometers do not conform with the requirements of a socialist planned economy. They are tinted with feudal separatism to a certain extent.

Example two: It is a fairly common situation for a district to set up two power supply bureaus. For example, the Jingjintang power net has set up a Baoding power supply bureau under the leadership of the Beijing power supply bureau to supply electricity in Baoding district. The Baoding prefectural party committee has also set up a Baoding district power bureau, under the dual leadership of the Hebei provincial power bureau and the Baoding prefectural party committee. Electricity in the 22 counties in Baoding district is purchased from the Baoding power supply bureau by the district power bureau and then sold in turn to the countryside. This buying and selling is only a matter of formality, because the generation, supply and consumption of electricity all take place at the same time. In setting up another power bureau, the district has only established an overlapping administrative organization of more than 100 people, and deducted 30 percent out of the income from electricity charges to be surrendered to the state. Both Chengde and Changjiakou have adopted this method. Such a situation also exists in northeast and eastern China.

Example three: Historically, power in Changzhou district has been supplied by the Jingjintang power network. Two power supply bureaus have already been set up in Changzhou district--one is the district power bureau which is under the dual leadership of the Hebei provincial power bureau and the Changzhou prefectural party committee; the other is called the Changzhou municipal power supply bureau and is under the leadership of the municipal revolutionary committee. The district power bureau deems that it should be in charge of the municipal power supply bureau, but the municipal power supply bureau thinks that it should be under the leadership of the municipality. A third power administrative organization will emerge in this district, authorized by the petroleum department to be the power organization for the oilfield in this third organization will make investments and set up cables itself. It will demand electricity supplies from the Jingjintang power network upon completion of the project. However, since it did not consult the power department about setting up the cables, the power department has refused to assume responsibility for the power supply. Actually, the main location of the oilfield in Hebei is at Renyou, which falls under the Changzhou district. Power used for the oilfield should be centrally supplied by the Jingjintang power network. It is reasonable and sufficient to set up just one Changzhou power supply bureau under the Jingjintang power network in accordance with the needs in the Changzhou district in order to centrally administer matters related to power supply.

However, under the present administrative system, more than three power administrative organizations must exist at the same time. The number of administrative staff and the amount of administrative expenses exceed the required figure by at least three times, and most of the people have no actual, significant work to do.

Example four: The state plans for electricity output and the basic electricity setup are passed downward to 29 provinces, municipalities and autonomous districts as individual units. Using the Jingjintang power network as an example, the Jingjintang power network is not included in the state plans. There are only the targets for two municipalities and one province. In the formulation of plans for electricity output, Hebei Province sometimes demands that more electricity output should be fixed for it so it can reduce the quantity of coal sent to other places. However, several years ago (before the completion of the Douhe power station), the large and advanced assembling units were not in Hebei but in Beijing. Hebei Province had mostly old and small assembling units which consumed large quantities of coal but could not generate large amounts of electricity. However, owing to the influence of the existing administrative system, no direct links exist between the state and the Jingjintang power network, a situation the power network can do nothing about. The large assembling units in Beijing may not have enough supplies and must use worn out and old assembling units in Hebei Province to generate more electricity. This does not meet the requirements for generating and supplying electricity safely and economically. Since it is not profitable for Hebei Province to generate a large amount of electricity, the Jingjintang power network sometimes ignores the original plans, and lets Beijing Municipality generate more electricity. This has created and aggravated the shortage of coal in Beijing and has sometimes even caused organized delays of coal-delivery trains, upsetting rail transport plans and making it impossible for other coal-consuming units to fulfill state plans on schedule.

Example five: The present administrative system of electric power resources takes "allotment" as the key. The state allocates fuel to the provinces and municipalities to be used for generating electricity and sets the quota for the material and labor force for the basic construction of powerplants. The power network has no right to use these straight away, but must line up in a waiting list with the local provinces and municipalities. With regard to the results of lining up, after weighing the advantages and disadvantages, the local administrations can use for other purposes the fuel which the central committee has allocated for the generation of electricity and the material which should have been used in the basic electricity installation. For example, around 1973, Hebei had allocated the material to be used for the expansion of the Baoding thermoelectric plant for other purposes. This affected the construction of the powerplant. The power department was thus forced to distribute the material again, which meant that twice the amount of material had to be used before the problem was solved. At present, the power departments in northeastern and eastern China are still practicing a decentralized administration of materials, taking "allocation" as the key.

in work and affect how well work efficiency is raised. In formulating plans for the national economy, the state should give the power industry the possibilities for full development so it can actually play the role of an advance agent in the development of the national economy. If the speed of the development of the entire industry increases by 10 percent a year on the average, the power industry must at least maintain its rate of increase at 13 to 15 percent. In building power stations, it is necessary to examine and compare the experiences of various countries and carry out construction with the objective ratio of an installed capacity of 20,000 to 23,000 kilowatts for the generation of 100 million units of electricity in conjunction with the actual conditions in our country. In the allocation of energy, it is first necessary to meet the requirements of power generation so the development of the power industry will conform with the requirements of the development of the entire national economy. In this way there will be absolutely no need to set up so many overlapping and unnecessary administrative and management organizations in the power industry's administrative system.

Using economic methods to manage economics to keep economic administration work separate from political work in the various regions should be the common direction in the reform of the entire economic administrative system. Only by managing economic undertakings with economic means can the national economy develop rapidly. This principle can be fully applied to the power industry department. Since the generation, supply and consumption of electricity all take place at the same time, the administration of the power industry in the whole country should be highly centralized and unified. Just like the railway system, its relationship to the national economy resembles the main artery in the human body, and cannot be blocked or cut up at will. Blocking or cutting it will at least cause partial "paralysis" if not the "damage of cardiac muscles." Therefore, the administration system of the power industry should be reformed into a highly centralized and unified one. At present, the whole country has built several large power networks across provinces, such as the northeastern, the Jingjintang, the east China and the Chongyuan ones. In addition, there are many small power networks which do not extend to other provinces. In accordance with the requirements of managing economic undertakings with economic means, it is better to take a power network as a power company. In accordance with the scope and relations of subordination, companies under the central committee and the local companies are divided into general companies, branch companies, subsidiary companies, and so on. In accordance with the reasonable division of power districts, the enterprises are organized in a unified way. They are managed independently and assume sole responsibility for their own profits and losses. In terms of enterprise management, there is no intervention from local government departments. But in order to implement this administrative method, there must first be conformity with the administrative system in the plan of the entire national economy. It must fully develop the superiority of the socialist system and not depart from the orbit of the socialist system. It can also draw on the good

Example six: The state has stipulated that 70 percent of the charges for electricity for agricultural use should be submitted to the treasury department and that 30 percent be retained by the local organizations. To retain more for themselves, the local organizations have striven to supply more electricity, which has given rise to the unreasonable phenomenon of installing cables indiscriminately. The state placed the investment in the agricultural use of electricity in the hands of the provinces, with the local administrations being able to develop this freely without any intervention from the power department. Therefore, there are certainly some unjust conditions in certain areas within the framework of the power supply for agricultural use.

Although the several examples cited above are actual conditions in individual districts, they are also of a general nature. It can be seen that very serious problems currently exist in the administrative system of the power industry in our country. In developed capitalist countries where the means of production are privately owned by capitalists, the state can still set up a unified administration of the power industry under a unified power bureau, in accordance with the characteristics of the power industry. As a result, power can be developed very rapidly. In recent years, certain countries have even broken down national boundaries and set up joint networks to regulate surpluses or shortages in supply and to fully implement the rational consumption of electricity. We are a socialist country where the means of production belong to the public ownership of the whole society. In the development of the power industry, we have not brought into full play the superiority of the socialist system. On the contrary, manmade difficulties have been created, which have not allowed the power industry to rationally utilize resources or supply electricity in a unified way in accordance with the economic divisions of districts. It is tied down to the framework of administrative districts, administrative systems and administrative levels. This has not only affected the development of the power industry itself, but has also brought damage to the entire national economy. This condition really must not be allowed to continue. The administrative system of the power industry must be thoroughly reformed before it can conform with the requirements of quickly realizing the four modernizations.

How should the administrative system of the power industry be reformed? This is a question of great importance which must be cautiously considered and seriously studied; a general spirit of using economic methods should be embodied in the administration of the power industry; overlapping administrative organizations must be abolished. Power organizations are now set up at every level in accordance with the local administrative districts. The purpose of this is mostly to seize power over electricity distribution. However, if we do not fundamentally solve the problem of supplying adequate amounts of electricity, it will be of no avail just to set up more administrative organizations to control electricity. With more organizations, there will be more staff. In addition to increasing unnecessary administrative expenditures, this will only create more impediments and disputes

experiences of the scientific management of enterprises in developed countries and learn from their good methods. We definitely cannot embark rashly on such important reforms, but must only carry them out after repeated trials and after finding out various specific effective administrative methods. In the transitional period in which the industrial system cannot be generally reorganized as specialized companies, I think that the administration of the power industry can be basically modeled after the administrative method of the railway system. The power industry should be centrally administered under the power industry department, just as the railroads in the whole country are administered under the railroad bureau. Under the power industry department, it is necessary to set up grade three or grade four power supply bureaus in accordance with the level of development of the power industry in various districts (there are power networks which do and do not extend across provinces). Power supply bureaus are power organizations as well as enterprise units. In operation, they are directly under the unified leadership of the power industry department. Local industries, agriculture, communication and transportation, government offices, schools, armed forces and so on are only the customers of the various power supply stations. The power supply bureau can sign power supply contracts with the big users and supply electricity according to the contracts. In setting up new plants and mining enterprises, the various districts and departments must sign contracts with the power department for electricity supplies. Once a contract is signed by both parties, it has legal force and must be strictly observed. Contract violators have to assume economic responsibility. The various local governments do not set up organizations for power supply separately. To motivate the local governments to show concern for the development of the power industry, we can stipulate that a certain percentage of the total income from power industry should be submitted every year to the local governments as a power tax, so as to subsidize local financial expenses. In this way, the local governments will still actively show concern for the reasonable development of the power industry, and their enthusiasm will not be embodied in the mania for fighting for the allocation of power targets. The enthusiasm of the various hydropower station and thermal powerplant enterprises will not be checked by the strengthening of the centralized and unified administration of the power industry. The authority of the power industry enterprises needs to be properly increased. This will not conflict with the implementation of the strict centralized and unified administrative system from top to bottom. Decentralized administration, without proper methods to closely link up the administration and development of enterprises with the material gains of staff members and workers cannot mobilize the initiative of enterprises. As long as the profit retention system uses proper proportions and some other reasonable systems are judiciously implemented in enterprises, the initiative of the enterprises and staff members and workers can similarly be mobilized under the centralized and unified administration of the power industry. Who can say that the initiative of the enterprises and staff members and workers of the railroad system is not equal to that in the other departments? Is the principle not very clear?

The centralized and unified administration of the power industry under the power industry department naturally can reduce the difficulties and obstacles in the development of the power industry. For example, in the construction of power stations and power plants, we only need to unconditionally observe the principle of locating the plant, which should be as near as possible to the raw materials (fuel) and conform with the reasonable layout of the productive forces in the consumer districts (load centers). The power cables can be laid in whatever way that is convenient and will no longer be restricted by the administrative division of districts. Let us leave the subject of the good points in other aspects for the time being, since this point alone will produce inestimable economic results in the national economy. This gain cannot be underestimated and can only be obtained under the condition of the centralized and unified administration of the power industry.

CSO: 4006

FUELS AND POWER

MARSH GAS USE URGED IN ZHEJIANG PROVINCE

Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 27 Aug 79 OW

[Excerpts] Comrade Li Fengping, secretary of the Zhejiang Provincial CCP Committee and vice chairman of the Zhejiang Provincial Revolutionary Committee, said at a recent provincial farmland capital construction conference that our province has a severe shortage of energy resources. It is short on coal and electricity and void of oil. The provincial CCP Committee held that the most effective way to solve the problem of energy shortage in the countryside was to build marsh gas pits and small hydroelectric power stations in a big way. This is a matter of general importance related to the development of the national economy and a strategic measure for realizing agricultural modernization in our province. Party committees at all levels must attach enough importance to this task and place the development of marsh gas and small hydroelectric stations on work agendas and strengthen their leadership.

Comrade Li Fengping said: We have made some progress in developing marsh gas in past years. Up to the end of June, over 280,000 marsh gas pits had been built throughout the province, with 90 percent of them still in use. (Paitou) district of Zhuji County, (Huxishi) of Dongyang County and 32 communes and 586 production brigades basically are using marsh gas for all purposes. Throughout the province, there are 36 power stations using marsh gas as fuel.

Comrade Le Fengping said: Marsh gas is a biological energy source. Popularization of the use of marsh gas is a revolution in fuel modernization in the countryside. Marsh gas is a rich natural resource.

Comrade Li Fengping said: We should be determined to develop marsh gas in the countryside in a big way. The provincial CCP Committee demands that 400,000 marsh gas pits be built and definitely completed by the end of this year and another 500,000 next year. By 1985, over 70 percent of the province's rural households should be using marsh gas. There should be 150 marsh gas power stations within this year, 500 in 1980 and 20,000 in 1985.

To meet the needs of agricultural modernization and solve the power shortage problem in the countryside, we must build more small hydroelectric power stations on a still greater scale and at a still higher speed. The provincial CCP Committee demands that power equipment for a total capacity of 100,000 kilowatts be installed this year and 150,000 kw each year thereafter and by 1985 1 million kw should have been added.

Comrade Li Fengping said: In addition to marsh gas and small hydroelectric power stations, we should also study the possibility of making use of solar energy and developing tidal and wind power stations to blaze a trail for acquiring energy for the countryside. He said that while energetically developing energy sources for the countryside, great attention should be given to conserving electricity and oil.

CSO: 4006

FUELS AND POWER

'RENMIN RIBAO': COUNTIES UTILIZE SMALL POWER STATIONS

Beijing XINHUA in English 0244 GMT 23 Aug 79 OW

[Text] Beijing, 23 Aug (XINHUA)--More than one quarter of China's 2,100 counties now get their electricity mainly from small hydro-electric power stations they have built themselves, says a report in today's PEOPLE'S DAILY.

One hundred and thirteen of these counties produce more than 10,000 kilowatts each.

Surveys made by water conservancy departments show that China has the potential to build small and medium-sized hydro-electric power stations with a total generating capacity of 150 million kilowatts. More than half of the counties could build stations capable of generating over 10,000 kilowatts of electricity, the report says.

It gives Yangshan County in Guangdong Province as an example. The county has built 174 small stations with a combined capacity of 12,000 kilowatts. It runs factories making nitrogenous and phosphate fertilizer, a cement mill and a coal mine, and has started producing steel, aluminum, chemicals and farm machinery.

The value of the country's total industrial output last year exceeded 40 million yuan, a six-fold increase over that before the small hydro-electric power stations were built in the locality. Electricity is now widely used in its villages to process farm produce and for irrigation.

CSO: 4020

FUELS AND POWER

LIAONING ERECTS HYDROELECTRIC POWER STATIONS

Beijing XINHUA in English 0746 GMT 2 Sep 79 OW

[Text] Shenyang, 2 Sep (XINHUA)—While building or expanding several large- and medium-sized power stations, Liaoning Province in Northeast China is putting up 35 small hydro-electric power stations to supply its rural areas.

Liaoning Province, an important Chinese heavy industrial centre, has iron and steel, coal mining, machine building and other industries. There is a growing need for power supply with the expansion of these industries and the development of agriculture.

Among the larger power stations now being built in the province are two hydro-electric stations on a tributary of the Yalu River, with a generating capacity of 45,000 kilowatts and 135,000 kilowatts respectively, and a 400,000-kilowatt thermal power plant in Jinzhou, a rising industrial city and also a communications centre.

Meanwhile the thermal power plant at Shenyang, the provincial capital, is being expanded, to increase its capacity from the original 50,000 kilowatts to 100,000 kilowatts.

The power grid linking up the existing major power plants in the province supplies the cities, and industrial and mining centres as well as the countryside. Yet small hydro-electric power stations are still needed to increase the power supply, especially in remote mountainous and hilly areas away from the main power transmission network.

So far 137 small hydro-electric power stations have been completed in the province, with a combined capacity of 47,600 kilowatts. Today 98 per cent of the province's rural communes have electricity supply, either from large or small stations.

On the Yalu River and its tributaries, which have rich water power reserves, four large and medium-sized hydro-power stations have been completed or are being built by the central and provincial people's governments, with a total

capacity of 789,000 kilowatts. In addition, 43 small hydro-power stations with a total capacity of 11,800 kilowatts have been constructed by counties, people's communes and production brigades, and another 26 small ones are under construction. All 131 people's communes in seven counties in the basins of the rivers are serviced by electricity.

In general, while the bigger power stations are built by the government, small hydro-power stations with capacities of less than 500 kilowatts each are undertaken by communes or production brigades with government assistance. The government provides them with 40 to 60 per cent of the building funds while the rest is funded by themselves.

The example of the Weizigou production brigade in Jinchange County in southern Liaoning illustrates the advantages of the small stations. The 800 people of the brigade live in many villages separated from one another by hills and gullies. The brigade began to construct small hydro-electric power stations on the mountain creeks in 1969. Since then five small stations have been built, with an aggregate capacity of 24 kilowatts, the biggest being 14 kw and the smallest, less than one kw. This has enabled the brigade to supply electricity to grain and fodder processing mills and to build six pump wells, providing one half its farmland with irrigation. All the brigade's 150 families have electric lighting.

CSO: 4020

FUELS AND POWER

BRIEFS

HUBEI THERMOELECTRIC SAVINGS--Hubei's thermoelectric plants have scored outstanding achievements in saving coal and electricity. In the first half of this year, the coal consumed in generating each kilowatt-hour of electricity was 23 grams less than in last year's corresponding period, while the electricity consumed by the plants was 1.8 percent less. The plants throughout the province have saved 79,000 tons of coal and 3,700 kilowatt-hours of electricity. The electric power departments in the province held meetings this January to exchange experiences in saving coal and electricity and formulate measures for the same purpose. The (Qingshan) thermoelectric plant is the largest such plant in Hubei. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 5 Aug 79 HK]

NANCHANG ELECTRICITY--The number of generators in Nanchang Municipality has increased from last year's 595, with 36,000 kilowatts, to this year's 664, with 42,000 kilowatts, giving play to the active role to promote production. Many units have also made use of waste heat to generate electricity. [Nanchang Xiangxi Provincial Service in Mandarin 1100 GMT 23 Aug 79 HK]

GUANGDONG COUNTY COAL--From January to July this year, the small coal mines in Qujiang County produced 196,000 tons of coal, an increase of 6 percent over the corresponding period of last year. From January to July this year, the small coal mines in the county earned a total profit of 1.3 million yuan, giving an increase of 30 percent to the income of the staff and workers. The quality of coal in this county is comparatively better and the resources of coal are richer. The annual output of coal is 300,000 tons. There are four mining areas in this county with 100 pits. [Guangzhou Guangdong Provincial Service in Mandarin 1130 GMT 15 Aug 79 HK]

GUANGDONG PREFECTURE HYDROELECTRICITY--There are now 1,903 small hydroelectric power stations in Zhanjiang Prefecture with a total installed capacity of 102,100 kilowatts. The yearly output of electricity in this prefecture is 230 million kilowatt-hours. According to a preliminary survey, 540,000 kilowatts of electricity can be developed throughout the prefecture. [Guangzhou Guangdong Provincial Service in Mandarin 1130 GMT 15 Aug 79 HK]

HUNAN METHANE BUILDING--The rural areas in Hunan Province have scored gratifying achievements in methane building. The province has so far built over 174,000 methane-generating pits of various types and 33 methane power stations. Many areas have used methane for cooking, lighting, generating electricity and processing agricultural and subsidiary products, thus solving problems in fuel and power shortages. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 11 Aug 79 HK]

HUNAN HYDROELECTRIC STATIONS--Hunan Province has over 4,800 big and small rivers which are beneficial to developing hydraulic electrogenerating capacity. According to statistics, this province has a total of 8,926 small hydroelectric stations with an installed capacity of 518,000 kilowatts. A total of 66 counties have established key electricity stations, each with an installed capacity of over 500 kilowatts, thus supplying 98 percent of communes, 77 percent of brigades and 40 percent of production teams in the province with electricity. With the help of technical forces at the prefectural and county levels, the province has built 30 medium and small hydraulic electrogenerating equipment factories which are capable of annually producing generating sets with a total installed capacity of 200,000 kilowatts, thus creating conditions for building small hydroelectric stations in a big way. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 13 Aug 79 HK]

NORTHEAST CHINA GRID--The electric power grid supplying electricity to 11 northeast China cities, including Shenyang, Luda, Anshan, Fushun, Changchun, Siping and Harbin, has increased its transmission capacity by from 30 to 50 percent after renovations. In the past 3 years some 3,700 transformers have been renovated and more than 9,000 km of transmission lines have increased their voltage load. Such renovations are made by adopting both domestic and foreign advanced technology. In 1978 the Shenyang electricity bureau used the experience of foreign cities to repair a 7.11 long, 220,000-volt extra-high tension line that sent electricity directly into the city. As a result, each year Shenyang can get an additional supply of 80,000 kilovolts of electricity. The reduced transforming process and shorter radius of transmission can also cut down electricity losses by 5 million kwh each year. [Beijing Domestic Service in Mandarin 0415 GMT 27 Jul 79 OW]

SHANXI TRANSMISSION LINE--Beijing, 12 Aug--An 80 kilometre long, 220,000-volt transmission line has gone into operation in North China's Shanxi Province recently. It connects the Yantong power grid in northern Shanxi and the Taiyuan power grid in central Shanxi, thus enabling the power grids to provide 400 million more kilowatt-hours of electricity a year for the area south of Taiyuan. It is the third 220,000-volt line in the province. [Text] [Beijing XINHUA in English 0105 GMT 12 Aug 79 OW]

CSO: 4006

MINERAL RESOURCES

BRIEFS

LIAONING MINING PRODUCTION--In Liaoning Province, Benxi coal mining administration, Fuxin (Haizhou) open-cut mine, (Tonghoushan) copper mine, the medium rolling mill under the Anshan iron and steel company and liming machinery plant prefulfilled or overfulfilled the semi-annual production plans. Fuxin (Haizhou) open-cut mine surpassed coal production quotas by 10,000 tons and stripping work by 410,000 cubic meters. Liming machinery plant prefulfilled the plan by 50 days and has fulfilled 76 percent of the annual total industrial output value plan. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 5 Jul 79]

CSO: 4006

HEAVY INDUSTRY

BRIEFS

LIAONING PARTY CONGRESS REPORT--The deputies from Yingkou Municipality to the Fifth Liaoning Provincial Party Congress on 26 August discussed the work report delivered by Comrade Ren Zhongyi. They said that the masses were satisfied that a large number of wrong and unjust cases were reversed. They held that the policies which were set forth after the 3d plenary session of the 11th Party Central Committee and the 2d session of the 5th National People's Congress promoted the production in Yingkou Municipality. They pointed out that during the January-July period, the total industrial output value in Yingkou Municipality surpasses that of the corresponding period of last year by 5.7 percent and that agricultural and sideline productions were also substantially developed. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 27 Aug 79 SK]

CSO: 4007

LIGHT INDUSTRY

'TIANJIN RIBAO' URGES SUPPORTING LIGHT, TEXTILE INDUSTRIES

Tianjin TIANJIN RIBAO in Chinese 20 Aug 79 p 1 HK

[Commentators article: "Support a Major Development in the Light and Textile Industries"]

[Excerpts] The new situation in readjusting the national economy has put forward to the finance and trade system a glorious yet difficult task: It is necessary to go all out to support a major development in the light and textile industries.

This year is the first year of the first battle in the four modernizations. A pleasing phenomenon of growing prosperity has appeared on the economic front. There have been busy procurement and marketing activities in the urban and rural markets. In view of the busy season after autumn harvest, even larger quantities of commodities are needed to supply the markets. On the other hand, adequate sources of commodities are required to increase the export of industrial products. All these things require that there be a major increase in industrial production, especially light and textile industrial production. At present, the tasks in the production departments are very heavy and the time is pressing. There are now only some 4 months to the end of the year and there are production schedules for every day and even every hour. We must really seize every minute and second. The industrial departments are subject to relatively great pressure. The finance and trade departments must understand their difficulties and share their pressure. They must bear in mind what is in the minds of the industrial departments and be eager to meet the needs of the industrial departments. They should never show any hesitation or procrastination, which would hold things up. Finance and trade departments are bridges and links between production and the flow of commodities. They are also levers of the economy. To expand the flow of commodities and improve supply, the fundamental way is to implement the general principle of "developing the economy and insuring supply." Production is the basis. Only when production is developed is it possible to improve market supply, fulfill financial plans and increase exports.

There is plenty of scope for the finance and trade front in supporting industrial production. The urgent task is to work well with the industrial

departments to dovetail the varieties and quantities of products to be increased. They must also actively supply information to the industrial departments regarding the situations of market demand, so that they will produce still more marketable light industrial and textile products.

It is necessary to actively do well in promoting the procurement of industrial products. This is an important link in supporting production, insuring market supply and increasing exports. Our country has a high population and a poor foundation. Both the levels of production and consumption are very low. Judging from the overall situation, the quantities of our commodities have not increased. On the contrary, there are shortages. It is therefore necessary to proceed from this fundamental situation and do well in promoting procurement work. In procuring industrial products, commercial and foreign trade departments must persistently maintain a positive attitude. They must sign contracts regarding the products included in the plans and persistently procure these products according to plan. Even though the supply of some products may be a bit excessive for the time being, they must be procured so long as they meet the demand of the masses, their quality is up to standard and they are easy to store.

Doing everything possible to assist light and textile industrial departments to solve problems regarding the raw materials and capital required is an unshirkable duty of all related finance and trade departments.

Clearing the channels and expanding marketing activities are effective measures of finance and trade departments for supporting production and doing well in promoting supply. This year, there has been a relatively great increase in urban and rural purchasing power. In particular, the peasants' purchasing power has greatly increased; and it is anticipated that the rural markets will become even more active. The peasants have actively sold agricultural sideline products in support of the cities and have earned money. However, if they are unable to buy anything with the money, their enthusiasm will be hampered. In keeping with the principle of giving priority to the cities in the supply of nonstaple foodstuffs needed by both the cities and rural areas and of giving priority to the rural areas in the supply of industrial products needed by both the cities and the rural areas, they must do their best to supply to the rural areas more industrial products which are needed there. They must consolidate the old marketing areas in north China, northeast China and northwest China. At the same time, they must enlarge new marketing areas and also open up broad rural markets for Tianjin's industrial products. It is necessary to clear the channels through which industrial products go to the countryside. Wholesale units must support the retailing business and help the retail units in procuring products. They must truly allow all commodities to get into the hands of the consumers. It is necessary to do well in making arrangements for the rural markets in suburban areas and counties.

LIGHT INDUSTRY

BRIEFS

GUANGDONG CHEMICAL INDUSTRY--Guangzhou, 16 Aug--The chemical industry in Guangdong Province has made much progress in the course of readjustment. The total output of nitrogenous fertilizer in the first half of 1978 reached more than 840,000 dan or 34 percent more than in the same period last year. This province has more than 90 small nitrogenous fertilizer plants. [Beijing XINHUA Domestic Service in Chinese 0204 GMT 16 Aug 79 OW]

GUANGDONG CHEMICAL FERTILIZER--In the first half of this year, the output of nitrogenous fertilizer from the 90 medium and small nitrogenous fertilizer works in Guangdong increased by 34 percent over the corresponding period of last year, despite the fact that five such works had shut down while 14 others stopped production for rectification. The total output was 840,000 tons. The coal consumption for each ton of synthetic ammonia was reduced by 228 kg, while the electricity consumption was reduced by 71 kilowatt-hours. Losses in the enterprises were reduced by 300,000 yuan over the corresponding period of last year. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 16 Aug 79 HK]

HEILONGJIANG INDUSTRIAL LOAN--In addition to increasing capital investments in light and textile industries, Heilongjiang Province recently allocated another 11 million yuan as a technological loan to further develop the province's light and textile industrial production. The loan will mainly be used by light and textile industrial departments to tap production potential, carry out technological innovations, improve product quality and increase the variety of products. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 15 Aug 79 OW]

HEILONGJIANG TRADE FAIR--Heilongjiang's light industrial and textile products trade fair opened in Harbin on 15 August. The fair was sponsored by the provincial light industrial bureau, in preparation for the upcoming national light industrial and textile products trade fair. A variety of textile, food and light industrial products are on display at the exhibition hall, testifying to the gratifying achievement made by the provincial light industrial and textile front in improving product quality, producing popular brand products and increasing product varieties. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 15 Aug 79 OW]

HEILONGJIANG CITY INDUSTRIAL SITUATION--The Qiqihar Municipal Party and revolutionary committees have taken effective measures to strengthen industrial production. In the first 6 months of this year, Qiqihar city's industrial output dropped 6.7 percent as compared with the same period of the past year, and the profit level of local industrial enterprises was 56.3 percent below that in the same period last year. The municipal CCP Committee held an enlarged meeting of its standing committee in early July. Participants unanimously held that industrial output was not satisfactory in the first 6 months of this year mainly because the municipal CCP Committee failed to pay close attention. Therefore, the municipal CCP Committee has strengthened its leadership over industrial production. The municipal CCP Committee has formed five inspection teams to conduct investigations and help the enterprises solve problems. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 6 Aug 79 OW]

HEILONGJIANG LIGHT, TEXTILE INDUSTRIES--The provincial economic commission held a meeting on power supply for the light and textile industries on 26 July. The meeting decided to take special measures to provide more power to the light and textile industries. The meeting decided to (?reduce production) and suspend construction of 11 small iron and steel factories and 27 small chemical fertilizer factories, have large power consumers such as coal mines and steel mills cut power use by 1 to 5 percent and close down electric (?batteries and furnaces) outside of state plans. This will save more than 66 million kilowatt-hours of electricity for use by the light and textile industries in the second half of the year, about 10 percent of the total power requirements of the light and textile industries. The various prefectures and cities and power departments are also setting up special power transmission lines for 77 key light and textile industrial enterprises. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 6 Aug 79 OW]

HUBEI TEXTILE--The July total value of textile industrial output in Hubei reached 251.12 million yuan, which is 10.69 percent of the yearly plans and 9.81 percent of the plans of increasing production, an increase of 9.66 percent over June. Output of the main products including cotton yarn, cotton cloth and dyed cloth increased by 10.19, 7.1 and 3.13 percent over June. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 22 Aug 79 HK]

JIANGXI PREFECTURE PROMOTES INDUSTRY--By the end of July, Fuzhou Prefecture's total value of industrial output reached 42 million yuan, an increase of 21.21 million yuan as compared with July, 1978. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 12 Aug 79 HK]

SHANGHAI CHEMICAL INDUSTRY--The Shanghai Petrochemical Research Institute and the (Jiahe) chemical works in Shanghai have achieved success in multipurpose use of carbon 4 and carbon 5. They utilized carbon 4 and carbon 5 to produce synthetic fiber and resin and at the same time reduced pollution. [Shanghai City Service in Mandarin 1130 GMT 18 Aug 79 OW]

SICHUAN INDUSTRIAL OUTPUT--The industrial and communications front of Sichuan Province has made achievements in carrying out in depth the campaign to increase production and practice economy. The total industrial output value for the first half of 1979 was raised by 9 percent and the rate of profits raised by over 20 percent compared with the same period last year. The semiannual production targets for 56 principal products were either fulfilled or overfulfilled. This includes: Cotton yarn, cotton cloth, silk, machine-made paper, chemical fertilizers, steel, pig iron, coke, lumber and cement. [Beijing Domestic Service in Mandarin 1200 GMT 11 Jul 79 OW]

'QUALITY MONTH ACTIVITY' RALLY--According to a station source, the Tianjin Municipal Revolutionary Committee on the afternoon of 30 August held a radio-TV rally on the second quality month activity. Attending the rally were responsible comrades and representatives of technicians and workers from various bureaus, companies, plants and enterprises of industrial, communications, capital construction and financial and trade fronts, totaling more than 1,100 persons. Comrade Li Zhongyuan, vice chairman of the Tianjin Municipal Revolutionary Committee, spoke at the rally. This rally summed up the achievements scored by the industrial and communications fronts throughout the municipality in improving the quality of products after the first quality month activity in last year and discussed the problems existing in work. The rally held: Over the past 1 year, the broad masses of staff and workers on the industrial and communications fronts throughout the municipality have warmly responded to the call of the state economic commission on carrying out the quality month activity and leading organs at all levels have paid great attention to this work, thus scoring substantial achievements in this regard. [Excerpts] [Tianjin City Service in Mandarin 1330 GMT 30 Aug 79 SK]

CSO: 4006

CAPITAL CONSTRUCTION

TAN QILONG'S PLEDGE TO SOLVE XINING WATER PROBLEM FULFILLED

Beijing XINHUA Domestic Service in Chinese 1407 GMT 1 Sep 79 OW

[Excerpts] Xining, 1 Sep--The difficult water supply problem that has bothered the residents of Xining Municipality for years has been fundamentally solved today as a new water project was put into operation to provide an additional 30,000 tons of potable water each day. This is approximately 50 percent of the previous daily amount of water provided to the municipality.

Xining is a new industrial city on the Qinghai plateau. Its population has increased from 70,000 to the present 520,000 over a time span of 30 years but its water system failed to increase the supply.

After the overthrow of the "gang of four," Comrade Tan Qilong, first secretary of the Qinghai Provincial CCP Committee, pledged wholehearted efforts to do several good things for the people and, first of all, to solve the water shortage problem in Xining. In August of 1977, the state capital construction commission approved an investment appropriation of over 18 million yuan for a new Xining water supply project.

This project consists of 13 deep-well pumping plants, a 40 kilometer-long water pipeline, a chloride treatment station, two 2,000-ton water regulating tanks and a number of auxiliary facilities. It is one of the Qinghai Province's major construction projects. This new water project has a capacity of 70,000 tons but is presently limited to 30,000 tons as the old water pipes of the municipality are too small and some areas do not even have water pipes installed.

CSO: 4006

CAPITAL CONSTRUCTION

READJUSTMENT OF CAPITAL CONSTRUCTION STRESSED

Beijing RENMIN RIBAO in Chinese 22 Aug 79 p 1 HK

[Editorial: "Capital Construction Must Be Resolutely Readjusted"]

[Text] The resolute readjustment of capital construction has been discussed at great length. Judging from the progress of its implementation, vigorous efforts are still necessary to make readjustment effective. Following the 3d plenum of the 11th party Central Committee, the state council decided to readjust the national economy in 3 years' time. In implementing the readjustment policy, the emphasis of the capital construction front has been placed on checking projects under construction and curtailing capital construction. In many areas, number of cancelled or postponed projects include those which lack adequate supplies of raw materials, fuel and power or completed small industrial projects that have suffered losses. The various departments under the state council have also initially checked large and medium-sized projects and recommended that some of them be cancelled or postponed. The authorities in many areas which have followed clear-cut guiding ideology have more firmly readjusted projects and acted faster and in a more down-to-earth manner than other localities. The Sichuan Provincial CCP Committee has advocated curtailing those capital construction projects that are not urgently needed and which lack the necessary conditions, and has promoted light industrial and textile projects. After checking dozens of small steel plants under construction, the Henan provincial authorities have cancelled or transferred them to other production sectors. In recent years, some industrial departments have suffered from an overextended capital construction front so they are more determined to reduce the scope of capital construction projects. Generally speaking, various areas and departments have done a good deal of work in the past few months in checking projects under construction and have achieved certain results. This has had a braking effect on the practice of expanding the scale of capital construction and the number of capital construction projects. However, we must also see that although some progress has been made in the work of checking projects under construction, it is still far behind that requested by the state. The most outstanding problem is that the scale of capital construction is still too large and that the number of projects has not been effectively curtailed. Many people are worried that if resolute

measures are not taken this year, the readjustment plan will fall through and that curtailing capital construction will be just empty talk.

To succeed in this major task, it is first of all necessary to raise our consciousness of the need to implement the readjustment policy. The problem of an overextended capital construction front and the need to curtail and readjust it has in fact been explained in detail. However, despite the presentation of facts and the clarification of dubious points, some leading cadres even now tend to view things and approach problems differently. Some people talk about an overextended capital construction front and pay lipservice to curtailing and readjusting capital construction. Actually they do not admit that there is any imbalance and do not think that it is necessary to make a readjustment. The key issue in the policy of "readjusting, restructuring, consolidating and improving" is readjusting. When it comes to the actual handling of capital construction in each area or unit, however, some leading cadres just shout slogans but take no action; others take a wait-and-see attitude and leave things to chance; still others are undecided, unable to make up their mind, lack determination and fail to march forward to make readjustments. Under these circumstances, how can we do a good job in readjustment and fulfill readjustment tasks? To solve these ideological problems, we must increase our ideological understanding and our consciousness of the need to implement the readjustment policy.

Some people appear quite satisfied with the state of the national economy in the previous 2 years and therefore find the proposed readjustment rather unexpected. Some comrades do not realize the serious imbalances in the national economy caused by the prolonged sabotage of Lin Biao and the "gang of four" nor are they aware of the potential contradictions in economic work. As we all know, the scale of our capital construction must be adapted to our country's financial and material resources. Whether it is or not makes the difference between economic stability and instability. Only by recognizing this can we prevent the danger of undertaking capital construction at a scale beyond our national capabilities. The scale of capital construction is not determined by the amount of investments, but by the availability of materials. The production departments must be given first priority in the supply of materials to guarantee their minimum requirements, and only what is left over can be used for capital construction. This is what we have often said: We must follow the order of production first, construction next. Since the founding of the PRC, we have drawn lessons from undertaking construction projects which were too large in scale and beyond our financial and material means. As a result, we have suffered. For many years we have called for the concentration of forces to fight a battle of annihilation in undertaking capital construction. Instead, we have often fought battles of attrition, thus investing considerable funds in projects that have yielded very poor results.

Readjusting the scale of capital construction is the key to doing a good job in readjusting the national economy. By readjustment, we mean

directing our attention to the serious imbalances in the economy caused by the long interference and sabotage of Lin Biao and the "gang of four" and making conscious efforts to readjust the proportionate economic relations. To readjust, there have to be increases and decreases, advances and retrenchments. If there are only increases but no decreases, only advances but no retrenchments, then there will be no readjustment to talk about. The purpose of curtailing the scale of projects is to allow other projects to advance. If this is not done, it will be impossible for certain projects to advance. It is worth paying attention to the following facts: Of the cancelled and postponed large and medium-sized projects that are not included in this year's state plans, quite a few have in various forms again been included in the construction plans of various departments and areas. Among the cancelled and postponed projects, there are more postponed than cancelled projects, while projects are postponed only to be started again at an opportune moment. Some units have lied about postponing projects, while in fact they are trying in every possible way to save the projects and keep them intact. While construction investments in the national budget have been cut back, construction using self-raised capital and other investment arrangements have tended to expand. Investigations in six provinces and municipalities with good industrial foundations have shown that their self-raised funds have surpassed the state-approved targets by 30 percent, and so on and so forth. This situation must be quickly corrected. Otherwise, the capital construction front will be further extended. In handling affairs, we communists must seek truth from facts. Those projects on which decisions have been made to cancel or postpone them must be cancelled or postponed. Under no circumstances can they be "cancelled or postponed in public but constructed under cover." Anyone who plays tricks to deceive the state must be exposed, criticized and educated and, in serious cases, duly punished.

In the priority order of agriculture, light industry and heavy industry, efforts should be made to strengthen such weak segments as agriculture, the light and textile industries, the coal and power industries, transportation and communications and the building materials industry as well as undertakings that have a direct bearing on the people's livelihood, such as housing, culture and education, public health and urban public utilities. The purpose of readjustment cannot be achieved if the percentage of a decrease in investment, when determined, is applied "equally" to all projects undertaken by all trades and professions or if investments in all projects are cut back according to the same proportion. If that were to happen, the serious imbalance in the proportionate relations in the national economy could not be overcome. This method of "having everyone get a crew cut" or "demanding uniformity in everything" can be used to "save trouble" and "sidestep contradictions," but it is very disadvantageous to the purpose of readjustment as a whole. Therefore, we must take the overall situation into consideration, work painstakingly and meticulously, uphold principles, overcome all obstacles and do a good job in making readjustments. We must have the courage to reveal contradictions and correctly handle them. To "save trouble" now and on the spur of the moment should not be encouraged.

To shorten the capital construction front, we must start by making an inventory of the projects under construction. By making an inventory of the projects under construction, we are aiming at resolutely suspending those projects that currently are not urgently needed by the state and those whose construction lacks the necessary conditions. This is to make sure that the projects urgently needed by the state will be built quickly and be completed and put into operation on time. After making this inventory, we must resolutely and mercilessly cancel a number of construction projects. If we do not do so, readjustments on the capital construction front cannot really be made. When many projects under construction were undertaken in the past, no efforts were made to study feasibility plans, to conduct comparative tests and achieve a comprehensive balance between technology and economics or to follow the schedule of capital construction. Plans were carelessly worked out before construction was begun and this was especially so in approving designs. There was no rational planning in determining the scale of construction nor in coordination and progressive development. While some projects proceeded rationally when they were started, they became irrational in a pronounced way when conditions changed. This calls for a rechecking of the original designs on the basis of the policy of readjusting the national economy and in conjunction with making an inventory of the projects. It is necessary to recheck those large and medium-sized projects that reveal irrelevancies in their scale of construction, coordination relationship and progress in construction to make sure that construction will from now on proceed smoothly. In determining increases or decreases, attention should be given to factors like the promotion of rapid and proportionate development of the national economy not beyond the financial and material resources of the state and whether the projects themselves possess the necessary conditions for coordination. We must no longer continue the practice of undertaking projects regardless of their material resources, energy sources and transportation and communications facilities. After making this inventory, we must resolutely and mercilessly cancel a number of construction projects. Failure to do so means that readjustments on the capital construction front cannot really be made.

In making an inventory of the projects under construction, stress should be placed on large and medium-sized projects. According to a survey made in the five major regions--the northeast, the north, the northwest, the central-south and the southwest--most of the projects that have thus far been cancelled or postponed are small local projects. Even if all such small projects are cancelled, little money will be saved. It is large and medium-sized projects that need large amounts of investments, building materials and equipment, as well as long building time. If the readjustment of these projects is not successfully made, problems on the capital construction front cannot be readily solved. Readjustment, therefore, will be out of the question if large and medium-sized projects are not touched. The state-budgeted investment in capital construction accounts for 89 percent of the total amount of investments in capital construction. The investments in projects directly under central departments and in those whose building

materials and equipment are directly supplied by the central departments makes up 79 percent of the state-budgeted investment. To shorten the capital construction front, we must start with these construction projects and effectively eliminate the phenomena in which major departments overstock large quantities of materials and there is a great amount of waste in the construction of key projects. Planning and capital construction commissions and finance and statistics departments at all levels should pay special attention to inspecting and supervising the construction of key projects and imported ones. If this is not done, the capital construction front will not be shortened and readjustments will not be successfully made. This of course does not mean that there is no need to make an inventory of small local construction projects and to readjust them. On the contrary, small projects of the "five small industries" and the industry in support of agriculture that are run at a loss after completion must be thoroughly checked and resolutely readjusted.

In shortening and making adjustments on the capital construction front, it is also necessary to deal successfully with that which happens after cancelling and postponing projects. We must prevent the situation in which confusion and serious losses occur because leaders wash their hands of the business at the first mention of cancelling or postponing a project. In dealing with cancelled or postponed projects, leading bodies must abide by their commitments and under no circumstances should they quit their jobs without permission. All construction materials, equipment and supplies are to be entered into the books and allocated to subordinate units to ease shortages. Funds, materials and accounts receivable and payable should be settled and accounted for in the books to prevent misappropriation. All technical materials and those related to engineering and construction should be properly filed. Building maintenance should be in good hands. It is necessary to draw up plans for setting aside funds for maintaining completed engineering projects and for purchasing equipment. Care should be taken to prevent damage to the means of production and livelihood, office furniture and means of transportation to prevent the misappropriation and unauthorized transfer of these items for personal use. Dealing with projects that have been cancelled or postponed is complicated and difficult. This should be dealt with successfully by various areas and departments according to the nature of the items and through an exchange of experience in a timely way.

CSO: 4006

CAPITAL CONSTRUCTION

BRIEFS

HEILONGJIANG CONSTRUCTION--Harbin, 17 Aug--To solve problems expeditiously involving key construction projects, the city planning committee, the economic committee and the construction committee of Harbin Municipality, Heilongjiang Province, have set up a joint office thereby speeding up the progress of construction. Harbin Municipality has a total of 108 construction projects in its 1979 plan. Of 12 major projects, three have already been completed. [Beijing XINHUA Domestic Service in Chinese 0206 GMT 17 Aug 79 OW]

TANGSHAN RECONSTRUCTION--After more than 1 year of preparatory efforts, construction of large projects designed to rebuild Tangshan has been started. By the end of June, the projects under construction reached a total floor space of 2.36 million square meters, 420,000 square meters of which were those of the completed projects. Among these completed projects, housing units accounted for 290,000 square meters and projects for production purposes 130,000 square meters. Under the concern of Comrade Hua Guofeng and other central leading cadres who have made several trips to Tangshan and given instructions on how to rebuild the quake-stricken area, and the arrangements made by the state council's joint work group and Hebei Provincial Party Committee, an overall plan was drawn by city planners from Shanghai, Liaoning and Hebei, and blueprints of the projects were designed by the experts, professors and engineers from Beijing, Tianjin, Hunan, Sichuan and Hebei, and the over 2,000 surveyors and technicians from 14 provinces and municipalities and other departments concerned spent more than 1 year in geological survey, planning, designing and city administration projects and other work. Now a construction contingent of more than 90,000 people from Tangshan and various other localities has arrived at the construction site. Their main efforts are the building of workers' quarters, public buildings and city administration projects. [Beijing Domestic Service in Mandarin 1200 GMT 27 Jul 79 OW]

WORKERS' HOMES IN LIAONING--Shenyang, 28 Aug--The heavy industrial centre of Liaoning Province in Northeast China has put up new workers homes with a total floor space of 1.18 million square metres in the first seven months of this year, far greater than in the same period of last year. Another four million square metres of new homes are under construction. Most of the new housing consists of four to six story buildings in big and medium-sized cities. The presidential areas have stores, schools and kindergartens. Trees and grass have been planted around the buildings. The allocation for housing construction in the province is 730 million yuan this year. Of this, 410 yuan will come from local governments and enterprises, a bigger sum than for any previous year. New homes are being built according to plans made by the districts in which they are located. One hundred building teams have been set up to undertake the construction projects. Slabs, big, hollow bricks and other building materials which are light in weight, shock-proof and of high strength have been turned out this year for housing construction. [Beijing XINHUA in English 0228 GMT 28 Aug 79 OW]

CSO: 4020

FOREIGN TRADE

CLOSER TIES WITH HONG KONG FORECAST

Hong Kong SOUTH CHINA MORNING POST in English 23 Aug 79 p BN 16

[Text] A closer working relationship between China and Hongkong is expected to be established on customs matters when representatives of both governments meet in Peking for a United Nations seminar.

The principal trade officer in charge of the certification branch of the Trade, Industry and Customs, Mr P. C. Leung, will join a United Nations mission going to Peking.

The seminar will discuss the implementation of generalised schemes of preferences in order to assist officials of China in the operation of the various tariff schemes.

The mission, organised by the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) will provide up-to-date information on the various GSP schemes, and allow the exchange of experiences on the implementation of these schemes.

The seminar is scheduled from September 3 to 7.

Hongkong is included as a beneficiary in nine different GSP schemes operated by 17 countries--Australia, Austria, Canada, the nine members of the European Economic Community, Japan, New Zealand, Sweden, Switzerland and the U.S.

Hongkong has been certifying GSP exports since July 1971 when the EEC's scheme was introduced.

Last year, about 21 percent of the value of our total domestic exports were covered by Forms A issued under the various tariff schemes. Of these GSP exports, 38 percent went to the U.S. and 45 percent to the EEC.

So far China has been included as a beneficiary in the GSP schemes operated by Australia, New Zealand, Norway and Switzerland.

CSO: 4420

FOREIGN TRADE

TRADE WITH HONG KONG SHOWS INCREASE

Hong Kong SOUTH CHINA MORNING POST Business News Supplement in English
11 Aug 79 p 1

[Article by Julie Auyeung]

[Text]

All sectors of Hongkong's trade with China recorded robust increases in the first half of the year, evidently a result of China's open-door policy and modernisation programme.

This also indicates an even closer relationship between the two long-time trading partners.

A breakdown of the January-June trade statistics released by the Census and Statistics Department shows Hongkong's import of China's goods grew 39 per cent. Hongkong's exports to China increased 446 per cent as compared with the same period last year.

In the same period, products of China origin re-exported through Hongkong grew by 75 per cent and products from other countries re-exported from Hongkong to China grew by 334 per cent.

Hongkong's imports from China soared to a record of \$6.408 billion compared with last year's \$4.581 billion.

While Japan is Hongkong's largest source of imports, China is still a major supplier of consumer goods and foodstuffs including vegetables, fruits, food and live animals, beverage and tobacco.

A significant increase in Hongkong's import bill came

from petroleum, petroleum products and related materials which amounted to \$674 million. Last year's imports of these products amounted to \$319 million only.

Hongkong imported \$20 million worth of petrol from China, as compared with \$7 million in the same period last year. Kerosene amounted to \$44 million, as against \$21 million. Jet fuel soared to \$89 million from \$43 million. Gas oil, diesel oil and distilled fuel soared to \$341 million from \$194 million.

The value of imported fuel oil increased from \$39 million to \$84 million. Lubricating oils jumped from \$1 million to \$3 million. Lubricating greases increased from \$786,723 to \$1 million.

In the category of petroleum or vaseline, paraffin waxes, bituminous mixture based on natural asphalt, there was an increase of 61 per cent to \$12 million.

Hongkong's imports of China-made machinery nearly doubled hitting \$179 million compared with \$90 million.

The machinery included: power generating machinery and equipment, machinery designed for particular industries, metal-working machinery, general industrial machinery and machine parts, office machines, telecom-

munication and sound equipment, road vehicles and other transportation equipment such as railway vehicles.

Another significant increase in Hongkong's imports from China was in the construction material sector. In the first six months, Hongkong imported \$266 million worth of steel, iron, non-ferrous metal (e.g. silver, copper), and manufactures of metal structures and parts of structures, of iron, steel or platinum.

Admittedly, in dollar terms, Hongkong's exports to China of locally-manufactured goods was relatively small compared with exports to other countries.

During the first six months, they amounted to only \$164 million. However, the growth from \$30.1 million last year is encouraging.

China did buy raw materials from Hongkong for use in its industries. The biggest growth came in the category of mineral fuel, lubricant and related material, manufactured goods, machinery and transport equipment.

China also bought a substantial amount of gold and coins from Hongkong which amounted to \$1 million, compared with \$172,953 for the corresponding period last year.

As China's trade with foreign countries continues to expand, Hongkong remains an important outlet for its trans-shipped products.

Re-export of China origin goods amounted to \$2,578 billion, a jump from \$1,471 billion in the corresponding six months last year.

The bulk of these products were shipped to Asian countries, notably Japan, Indonesia, Singapore, Taiwan, the Philippines, Australia, Macau, South Korea and Thailand in order of trade volume.

Among countries outside of Asia, the United States took the biggest share which amounted to \$312 million. This was second to Japan's \$437 million.

On the other hand, goods re-exported from Hongkong to China had a record year, reaching \$443 million.

This represented an increase of 33.4 per cent from \$102 million in the corresponding period last year.

The significant upsurge in the re-export trade reflects Hongkong's growing role as an entrepot for China.

In the period under review, China had bought a wide range of re-exported products. Its purchases increased except in the mineral fuel, lubricant and related material sector, where there was a slight decline in import value.

As substantial increases were recorded in raw materials, machinery and production equipment, it is evident that China's imports were to support the country's modernisation programme.

CONTAINER LEASING AGREEMENT SIGNED WITH HONG KONG

Hong Kong, SOUTH CHINA MORNING POST Business News Supplement in English
18 Aug 79 p 1

[Text]

The China Ocean Shipping Agency (Penavico) and the Multinational Maritime Co Ltd of Hongkong have signed an agreement to set up and manage container leasing in China.

Penavico will physically manage all container leasing depots in major Chinese ports.

Multinational Maritime will commercially represent the Chinese shipping authorities beyond China regarding container leasing activities and will also provide logistics and technical support in the development of China's container depots.

Multinational Maritime is further authorised to arrange with all international container lessors the accepting and

leasing of containers in China.

Nautilus Leasing Services Inc of San Francisco is the first to participate in this project, being launched in Shanghai now.

Multinational Maritime yesterday said the depot involved is fairly well-equipped to handle and repair all kinds of 20 ft and 40 ft containers.

An area of 80 acres linking the container terminal and the railway freight station is being developed to cope with an expansion programme.

"Tientsin will soon follow suit. In the near future, Whompoa, Tsingtao and inland depots in Nanking and Wusih will also be included," Multinational Maritime said.

CSO: 4020

TWO PROVINCES MOVE AHEAD IN PROMOTING JOINT TRADE VENTURES

Hong Kong SOUTH CHINA MORNING POST in English 23 Aug 79 p BN 16

[Article by Julie Auyeung]

[Text]

Guangdong and Fukien provinces will receive full autonomy in approving or disapproving foreign investment in China, according to Miss Liu Yiu-chu who has just come back from a Canton authority meeting this week.

Miss Liu is the legal adviser to the Bank of China, the New China News Agency and a number of other Chinese corporations here.

She said: "These two provinces are really moving ahead of other provinces in inviting foreign partners to go into joint ventures in China."

She disclosed that much more detailed implementation regulations for Guangdong and Fukien have been drafted and will be announced once it is passed by China's law making bodies.

The regulations are, in principle, similar to the Joint Venture Investment Code announced on July 8.

But the regulations have additional and more detailed clauses and strictly apply only to these two coastal provinces.

There might be more than 20 clauses included versus the 14 articles provided in the Joint Venture Investment Code.

Additional clauses will cover matters such as tax rate and other commercial terms.

Most important, the two provinces have been empowered to negotiate with foreign investors interested in joint ventures.

They don't have to refer to the central Government but can just go ahead with their decisions.

Miss Liu said: "These coastal provinces are chosen because of their geographical advantages. Being close to the sea, the cost of transporting machinery and equipment will be greatly reduced and could attract foreign investors."

As to other investment conditions such as infrastructure, electricity and labour, Miss Liu said that there are no problems at all.

The regulations have been drafted but need to be passed by the legal organisations such as the People's Congress.

Miss Liu has no idea when the meetings will be held but hopes that news will come very soon.

During the meetings with the Canton Authority, Miss Liu learned that some of the

"middlemen" have not done their job of explaining to their clients and the Chinese party what is exactly going on.

This has led to disappointment and the breaking up of deals.

The middlemen may be Chinese from Hongkong or may be the so-called "China trade experts."

They share a common mistake of protecting the interests of the foreign party only, she said.

They might even tell the China party something different from what they have told their client or the company they represent.

Due to the information gap parties become disappointed and negotiations end unhappily.

Miss Liu said: "Almost 10 out of the 10 cases I studied ended up this way. Some advisers or middlemen have in fact done harm to both parties."

Chinese authorities have expressed the hope that everybody doing business with China have the good intention of helping her to achieve modernisation.

Malicious intent will lead to nothing, she said.

FOREIGN TRADE

LOWER LEVIES ON TAIWAN TV SETS

Hong Kong SOUTH CHINA MORNING POST Business News Supplement in English
2 Aug 79 p 1

[Article by Julie Auyeung]

[Text]

Hongkong residents taking Taiwan-made television sets into China are being taxed at a lower rate than other brands, according to recent visitors to Canton.

The visitors told Business News their black and white Tai-tung brand television sets (made in Taiwan) were taxed about 33 per cent below the normal rate.

For example, duty on a 18-inch set will be RMB50 whereas other brands will be taxed at RMB75.

China's customs officers did not explain why Taiwan sets were taxed differently.

However it is believed Chinese authorities consider these products as China-made even though they come from Taiwan.

Whether these "tax cuts" apply to other products as well is not known. Nor is it clear why tax is not waived altogether if Taiwanese products are considered as coming from another "part" of

China.

In fact, Taiwan television sets were duty free at the beginning of this year when China first permitted Hongkong residents to take electrical appliances to their relatives across the border.

"But this lasted only for a while probably because China is producing television sets now and has set down tax rates for these products," one visitor said.

Tai-tung brand products are represented by an agent in Hongkong, Tai-tung Electrical Co. But the company's spokesman denied knowing anything about the tax situation.

Statistics show Hongkong imported 29,396 television sets valued at \$11.48 million from Taiwan in the first five months of this year.

This is a 22 per cent increase over the same period for last year, when only 9,412 Taiwan sets were imported.

It is not known how many of these sets were later re-exported to China.

CSO: 4020

FOREIGN TRADE

GOVERNMENT SETS UP ZONE FOR FOREIGN INDUSTRY

Hong Kong SOUTH CHINA MORNING POST in English 14 Aug 79 p 11

[Article by Victor Su, real estate editor]

[Text]

Peking has officially endorsed a scheme to set up a special industrial zone in Sheh Hou on the Chinese side of Deep Bay.

A Shumchun Municipal Council spokesman said last night the giant industrial estate has been earmarked for Hongkong and foreign manufacturing plants, providing they do not cause pollution.

The spokesman said machinery, equipment and raw materials certified by the Hongkong-based China Merchants Shipping and Navigation Co Ltd will be permitted to be imported duty free.

But, he pointed out, the special zone is not a "tax free port" or a "free trade zone."

There will be profit tax, property tax and licences fees for industrial enterprises set up in the area.

The special area is the first of its kind for foreign industrial enterprises in China.

The new Sheh Hou special zone, according to the spokesman, will be fenced off with only authorised people allowed to travel and live there.

Political observers believe the measure has been implemented to prevent smuggling

of illegal immigrants to Hongkong.

The Mayor of Shumchun, Mr Chia Hua, is in Canton to discuss the scheme with provincial authorities.

Construction has started on projects such as the building of a 24-mile water pipe linking the special area in Sheh Hou with Shih Li Reservoir, a 4.2-mile highway linking Nan Tau port and a large power plant.

A leading local textile industrialist has donated former Hongkong Electric generators to set up the power station.

China plans to invest HK\$180 million in the power project.

Many Hongkong and foreign businessmen have already visited the site and more are expected to be invited there soon.

The major advantage, according to an unnamed industrialist, is ease of transport as the special area is about 30 miles southwest of Hongkong.

It would take a fast cruiser less than an hour to reach the zone.

However, the industrialist said, he is sceptical about the productivity of Chinese workers.

CSO: 4020

JOINT VENTURES IN SHUMCHUN STILL IN DOUBT

Hong Kong SOUTH CHINA MORNING POST Business News Supplement in English
20 Aug 79 p 1

[Text]

Hongkong investors are keen to enter into joint ventures with Chinese authorities in Shumchun, but are doubtful if the Chinese at the provincial level have enough decision-making powers as reported in local newspapers recently.

According to members of a business group who visited Shumchun last week, both the Chinese authorities and workers are very keen on entering into such co-operation agreements.

The Chinese workers are more efficient than the press reports described them, according to the visitors.

During their visits to factories built with Hongkong capital they found Chinese officials friendly, co-operative and "willing to discuss nearly every aspect of investment and management."

However, the Hongkong investors were anxious to find out how income and profit taxes would be worked out and money remitted out of China.

"Foreign businessmen on the trip were especially interested in finding out details of the joint venture investment code," the director of China Promotion Ltd, Mr Peter Pan, said.

He noted more flexibility in the attitude of the Chinese officials than before and described it as an "encouraging" development.

"Shumchun has good potential for further development," he said.

Workers of Shumchun factories have a better standard of living than workers in other areas and are more willing to adjust to requirements of the Hongkong investors, he added.

Some skilled workers earn as much as 200 yuan (about \$670) a month, whereas ordinary workers earn only about 30 yuan (\$100) a month.

Mr Pan said visiting businessmen were told that Chinese officials in Shumchun have been given the power to grant special priority to any business ventures they consider fit.

However, Mr Andrew Kie, also director of China Promotion Ltd, doubted whether Shumchun officials have been given such powers.

It is understood that any venture requiring more than 30 million yuan (about \$100 million) in foreign capital must be approved by Peking.

"I think there must be further clarification from Peking sooner or later concerning the investment code, as well as income and profit tax," He said.

He also pointed out that China's limited supply of raw materials and lack of advanced technology is reflected in the small number of compensation trade contracts between foreign investors and China.

"There are comparatively few firms entering into compensation trade contracts with China, obviously because it lacks the raw materials we need and also lags behind in production technology," he said.

"One Hongkong party entered into a joint venture with the Shumchun authorities recently to run a restaurant which would serve soft drinks, wines, and many varieties of food imported from Hongkong," Mr Kie said.

FOREIGN TRADE

TRADE, INQUIRY CENTERS TO BE SET UP

Hong Kong SOUTH CHINA MORNING POST in English 29 Aug 79 p BN 1

[Article by Julie Auyeung: "If You Want To Learn About China..."]

[Text]

China is considering setting up some inquiry centres in Hongkong to answer questions on investment conditions in the country, a source, who put forward the proposal, said yesterday.

The source said Chinese corporations and trade organisations in Hongkong such as Bank of China, China Resources and the Chinese General Chamber of Commerce, should help solve overseas businessmen's queries on investing in China.

At present, there seems to be some lack of co-ordination as regards such inquiries. Prospective investors do not seem to be able to get quick answers to their queries.

"For example, foreign businessmen have to spend considerable time in getting to the right people. Often they are unable to find out what they want to know," the source said.

The corporations and trade organisations named, among

others, are supposed to help all businessmen — to direct them to the appropriate corporations in China, or to arrange further discussions in China for them.

The source pointed out that both the relevant authorities in China and in Hongkong do not seem to be in close liaison regarding China's modernisation plans.

"This would lead to the slowing down of China's modernisation programme and would have an adverse affect on overseas investors' views and confidence," the source said.

There has been a flood of inquiries, mainly from America and Europe, on investment prospects in China following the announcement of the joint venture investment code and the Guangdong and Fukien Implementation Regulations.

The businessmen concerned have expressed keen interest in investing in China in whatever form possible.

CSO: 4020

FOREIGN TRADE

BRIEFS

HOTEL TO USE NEON--The somewhat staid Tung Fang hotel in Guangzhou will soon glitter with neon lights when it begins to accept advertisements. The hotel has appointed a Hongkong company, Enterprise International, to act exclusively on its behalf in its effort to go "commercial." The general manager of Enterprise International, Mr C. P. Ho, said Tung Fang is open to the placement of advertising signs, lightboxes and neon signs inside the building and on its grounds. Mr Ho, who returned from China yesterday, said a number of advertisers had already inquired about booking space and he anticipated very positive response particularly with the approach of the autumn Canton Fair. The hotel stands opposite the fair grounds and is a focal point for businessmen and tourists, not only from Hongkong but from all over the world. [Text] [Hong Kong SOUTH CHINA MORNING POST Business News Supplement in English 21 Aug 79 p BN 1]

TV ADVERTIZING AGENTS--HK-TVB International jointly with Wen Wei Po have been appointed by the Shanghai Television Station as exclusive advertising sales agents in Hongkong. The agreement to be signed today will give TVB and Wen Wei Po responsibility for all aspects of TV advertising on the Shanghai Station (Channel 5). HK-TVB International Ltd is a wholly-owned subsidiary of TV-Enterprises Ltd and a sister company of HK-TVB while Wen Wei Po is a Chinese language newspaper. With the agreement, advertisers from Hongkong and overseas will gain direct access to the growing market in China. Shanghai is the country's biggest city with a population of about 12 million. Estimates as to the number of TV sets in Shanghai city alone vary from over 800,000 to one million. But the area covered by the Shanghai Television Station goes beyond the city to such provinces as Zhejiang and Anhui, so the total number of homes reached by Shanghai TV is more than 3.5 million, according to HK-TVB. [Text] [Hong Kong SOUTH CHINA MORNING POST Business News Supplement in English 29 Aug 79 p BN 1]

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